

This document is important and requires your immediate attention. If you are in any doubt as to the action you should take, you should immediately consult your stockbroker, solicitor, accountant or other professional advisor duly authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all your shares in the company, please send this document, and the accompanying form of proxy, to the purchaser or transferee or the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

QinetiQ Group plc – Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of QinetiQ Group plc (the 'Company') will be held at the offices of Ashurst LLP, Broadwalk House, 5 Appold Street, London EC2A 2HA on Wednesday, 19 July 2017 at 11.00am, or at any adjournment thereof, to consider and, if thought fit, to pass the following 22 resolutions. Resolutions 1 to 18 (inclusive) will be proposed as ordinary resolutions and will be passed if more than 50% of the total votes cast are in favour of each such resolution. Resolutions 19 to 22 (inclusive) will be proposed as special resolutions and will be passed if not less than 75% of the total votes cast are in favour of each such resolution. Voting on all resolutions will be conducted by way of poll rather than a show of hands.

Resolutions

Resolution 1 – Report and Accounts

To receive the accounts and the reports of the Directors and the auditor thereon for the financial year ended 31 March 2017.

Resolution 2 – Remuneration Policy

To approve the Directors' Remuneration Policy (which is contained in the Directors' Remuneration Report) as set out on pages 72 to 81 of the Annual Report and Accounts 2017.

Resolution 3 – Remuneration Report

To approve the Directors' Remuneration Report (other than the part containing the Directors' Remuneration Policy referred to in Resolution 2) for the financial year ended 31 March 2017 as set out on pages 68 to 71 and pages 82 to 91 of the Annual Report and Accounts 2017.

Resolution 4 – Declaration of dividend

To declare a final dividend for the year ended 31 March 2017 of 4.0 pence per ordinary share in the capital of the Company.

Resolution 5 – Re-election of Lynn Brubaker

To re-elect Lynn Brubaker as a Director of the Company.

Resolution 6 – Re-election of Admiral Sir James Burnell-Nugent

To re-elect Admiral Sir James Burnell-Nugent as a Director of the Company.

Resolution 7 – Re-election of Mark Elliott

To re-elect Mark Elliott as a Director of the Company.

Resolution 8 – Re-election of Michael Harper

To re-elect Michael Harper as a Director of the Company.

Resolution 9 – Re-election of Ian Mason

To re-elect Ian Mason as a Director of the Company.

Resolution 10 – Re-election of Paul Murray

To re-elect Paul Murray as a Director of the Company.

Resolution 11 – Re-election of Susan Searle

To re-elect Susan Searle as a Director of the Company.

Resolution 12 – Election of David Smith

To elect David Smith as a Director of the Company.

Resolution 13 – Re-election of Steve Wadey

To re-elect Steve Wadey as a Director of the Company.

Resolution 14 – Appointment of Auditor

To appoint PricewaterhouseCoopers LLP as auditor of the Company until the conclusion of the Annual General Meeting to be held in 2018.

Resolution 15 – Authority to determine Auditor's remuneration

To authorise the Audit Committee of the Board to determine the remuneration of the auditor.

Resolution 16 – Political donations

THAT in accordance with sections 366 and 367 of the Companies Act 2006 (the '2006 Act'), during the period beginning with the date of the passing of this Resolution 16 and ending at the conclusion of the Annual General Meeting to be held in 2018, the Company and all companies which are subsidiaries of the Company at any time during that period be and are hereby generally and unconditionally authorised:

- a) to make political donations to political parties and/or independent election candidates not exceeding £100,000 in total;
- b) to make political donations to political organisations other than political parties not exceeding £100,000 in total; and
- c) to incur political expenditure not exceeding £100,000 in total, provided that:
 - (i) in any event, the aggregate amount of political donations and political expenditure made or incurred by the Company and its subsidiaries pursuant to this Resolution 16 shall not exceed £100,000 in total; and
 - (ii) the authorised sum referred to in paragraphs (a), (b) and (c) above may be comprised of one or more amounts in different currencies which, for the purposes of calculating the said sum, shall be converted into pounds sterling at the exchange rate published in the London edition of the Financial Times on the date on which the relevant donation is made or expenditure incurred (or the first business day thereafter) or, if earlier, on the day on which the Company enters into any contract or undertaking in relation to the same.

For the purposes of this Resolution 16, the terms 'political donation', 'political parties', 'independent election candidates', 'political organisation' and 'political expenditure' have the meanings given to them by sections 363 to 365 of the 2006 Act.

Resolution 17 – Approval of the 2017 QinetiQ Group plc Incentive Plan

THAT the 2017 QinetiQ Group plc Incentive Plan ("Incentive Plan"), the principal terms of which are summarised in Appendix 2, and the rules of the Incentive Plan, as set out in the form produced to the Meeting and initialled by the Chairman for the purposes of identification, be approved and adopted for a period of ten years from the date of this Meeting, subject to and in accordance with the rules of the Incentive Plan.

Resolution 18 – Authority to allot new shares

THAT the Directors be and are hereby generally and unconditionally authorised for the purposes of section 551 of the Companies Act 2006 (the '2006 Act') to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or convert, any security into shares in the Company ('Rights'):

- a) up to an aggregate nominal amount (within the meaning of sections 551(3) and (6) of the 2006 Act) of £1,890,615 (such amount to be reduced by the nominal amount allotted or granted under (b) below in excess of such sum); and

Resolutions continued

b) comprising equity securities (as defined in section 560 of the 2006 Act) up to an aggregate nominal amount (within the meaning of sections 551(3) and (6) of the 2006 Act) of £3,781,230 (such amount to be reduced by any allotments or grants made under (a) above), provided that they are offered by way of a rights issue to holders of ordinary shares on the register of members at such record dates as the Directors may determine where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be practicable) to the respective numbers of ordinary shares held or deemed to be held by them on any such record dates (and holders of any other class of equity securities entitled to participate therein or if the Directors consider it necessary, as permitted by the rights of those securities), subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements, record dates or legal, regulatory or practical problems arising under the laws of, or the requirements of, any regulatory body or stock exchange in any territory or any other matter,

provided that these authorisations shall expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, on 19 October 2018, save that the Company shall be entitled to make offers or agreements before the expiry of such authority which would or might require shares to be allotted or Rights to be granted after such expiry and the Directors shall be entitled to allot shares or grant Rights pursuant to any such offer or agreement as if this authority had not expired; and all unexercised authorities previously granted to the Directors to allot shares and grant Rights be and are hereby revoked.

Resolution 19 – Disapplication of pre-emption rights: standard

THAT, subject to the passing of Resolution 18, the Directors be and are hereby empowered pursuant to sections 570(1) and 573 of the Companies Act 2006 (the '2006 Act') to allot equity securities (within the meaning of section 560 of the 2006 Act) for cash pursuant to the authority conferred by Resolution 18 above and sell ordinary shares (as defined in section 560(1) of the 2006 Act) held by the Company as treasury shares for cash, as if section 561(1) of that Act did not apply to any such allotment or sale provided that this power shall be limited to:

- a) the allotment of equity securities and the sale of treasury shares in connection with an offer of equity securities (but in the case of the authority granted under paragraph (b) of Resolution 18 by way of rights issue only) in favour of the holders of ordinary shares on the register of members at such record dates as the Directors may determine where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be practicable) to the respective numbers of ordinary shares held or deemed to be held by them on any such record dates, subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements, record dates or legal or practical problems arising under the laws of, or the requirements of, any regulatory body or stock exchange in any territory or any other matter; and
- b) in the case of the authorisation granted under paragraph (a) of Resolution 18 (or in the case of any sale of treasury shares), the allotment (otherwise than pursuant to sub-paragraph (a) of this Resolution 19) to any person or persons of equity securities up to an aggregate nominal amount of £283,000,

and shall expire upon the expiry of the general authority conferred by Resolution 18 above, save that the Company shall be entitled to make offers or agreements before the expiry of such power which would or might require equity securities to be allotted, or treasury shares to be sold, after such expiry and the Directors shall be entitled to allot equity securities or sell treasury shares pursuant to any such offer or agreement as if the power conferred hereby had not expired.

Resolution 20 – Disapplication of pre-emption rights: acquisitions

THAT, subject to the passing of Resolutions 18 and 19 and in addition to the power given by that Resolution 19, the Directors be and are hereby empowered pursuant to sections 570(1) and 573 of the Companies Act 2006 (the '2006 Act') to allot equity securities (within the meaning of section 560 of the 2006 Act) for cash pursuant to the authority conferred by Resolution 18 above and sell ordinary shares (as defined in section 560(1) of the 2006 Act) held by the Company as treasury shares for cash, as if section 561(1) of the 2006 Act did not apply to any such allotment or sale provided that this power shall be:

- a) limited to the allotment of equity securities for cash and the sale of treasury shares, up to an aggregate nominal amount of £283,000; and

b) used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Directors have determined to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this Notice, or for any other purposes as the Company in general meeting may at any time by special resolution determine,

and shall expire at the conclusion of the next Annual General Meeting of the Company (or, if earlier, on 19 October 2018), save that the Company shall be entitled to make offers or agreements before the expiry of such power which would or might require equity securities to be allotted, or treasury shares to be sold, after such expiry and the Directors shall be entitled to allot equity securities or sell treasury shares pursuant to any such offer or agreement as if the power conferred hereby had not expired.

Resolution 21 – Authority to purchase own shares

THAT the Company be and is hereby generally and unconditionally authorised for the purposes of section 701 of the Companies Act 2006 (the '2006 Act') to make market purchases (within the meaning of section 693(4) of the 2006 Act) of any of its ordinary shares of 1 pence each of the Company on such terms and in such manner as the Directors may from time to time determine, and where such shares are held as treasury shares, the Company may use them for the purposes of its employee share schemes, provided that:

- a) the maximum number of ordinary shares hereby authorised to be acquired is 56,700,000;
- b) the minimum price which may be paid for any such share is 1.00 pence (which amount shall be exclusive of expenses, if any);
- c) the maximum price (exclusive of expenses) which may be paid for any such share is the higher of:
 - (i) an amount equal to 105% of the average of the middle market quotations for an ordinary share in the Company as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which such share is contracted to be purchased; and
 - (ii) the higher of the price of the last independent trade and the highest current independent bid for an ordinary share in the Company on the trading venues where the market purchases by the Company pursuant to the authority conferred by this Resolution 21 will be carried out;
- d) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2018, or on 19 October 2018, whichever is the earlier, unless previously renewed, varied or revoked by the Company in general meeting; and
- e) the Company may make a contract to purchase its ordinary shares under the authority hereby conferred prior to the expiry of such authority, which contract will or may be executed wholly or partly after the expiry of such authority, and may purchase its ordinary shares in pursuance of any such contract.

Resolution 22 – Notice Period for Extraordinary General Meetings

THAT a general meeting, other than an annual general meeting, may be called on not less than 14 clear days' notice.

By Order of the Board

Jon Messent

Company Secretary
13 June 2017

Registered Office
Cody Technology Park
Ively Road, Farnborough
Hampshire, GU14 0LX

Registered in England and Wales No. 4586941

VOTING BY PROXY

A Proxy Form is enclosed with this Notice, and instructions for its completion and return by post are shown on the form. Alternatively, you can appoint a proxy online at www.sharevote.co.uk. Further details regarding the appointment of proxies and rights of shareholders to attend and vote at the Annual General Meeting are set out in the 'Important notes to shareholders' section which begins on page 6 (and which forms part of this Notice).

Explanatory notes

Resolution 1 – Report and Accounts

The Directors are required by law to present to the Meeting the accounts and the reports of the Directors and auditor for the year ended 31 March 2017 .

Resolutions 2 and 3 – Directors' Remuneration Policy and Directors' Remuneration Report

Resolution 2 is to approve the Directors' Remuneration Policy. There must be a binding shareholder vote, by way of ordinary resolution, on the Directors' Remuneration Policy at least every third year or whenever the policy needs to be changed within that three-year period. The Directors' Remuneration Policy sets out the Company's proposed policy on Directors' remuneration and the key factors taken into account in setting the policy. This vote is a binding vote and, subject to limited exceptions, no remuneration payment or loss of office payment may be made to a prospective, current or former Director unless consistent with the approved remuneration policy (or otherwise specifically approved by shareholders). The Directors' Remuneration Policy was last approved by shareholders at the 2014 Annual General Meeting and was applied from 1 April 2014. Accordingly, a new Remuneration Policy, as set out on pages 72 to 81 of the Company's Report and Accounts 2017, is presented for approval by shareholders. Subject to shareholder approval, the new Remuneration Policy will be effective from the date of the 2017 Annual General Meeting.

Resolution 3 is to approve the Directors' Remuneration Report. The Annual Report on Remuneration, which includes a statement from Michael Harper, Chairman of the Remuneration Committee, is set out on pages 68 to 71 and pages 82 to 91 of the Company's Report and Accounts 2017. The Directors' Remuneration Report sets out payments and awards made to the Directors and details the link between Company performance and remuneration during the financial year under review, together with some details of how the remuneration policy will be implemented in the next financial year. The vote on the Directors' Remuneration Report, under Resolution 3, is advisory in nature and the entitlement of any individual Director to remuneration is not conditional upon it. This Resolution is put annually, as required by the Companies Act 2006.

Resolution 4 – Declaration of a dividend

Final dividends must be approved by shareholders but must not exceed the amount recommended by the Directors. If the Meeting approves Resolution 4, a final dividend in respect of the financial year ended 31 March 2017 of 4.0 pence will be paid on 1 September 2017 to the ordinary shareholders on the register of members at the close of business on 4 August 2017 in respect of each ordinary share.

Resolutions 5 to 13 – Election/Re-election of Directors

Each member of the Board has offered himself/herself for election/re-election in order to comply with best practice in the Company's application of corporate governance. The Board of Directors unanimously recommends that they each be elected/re-elected as Directors of the Company. The Chairman confirms that each of the Non-executive Directors who are seeking re-election at the Annual General Meeting continues to be an effective member of the Board and to demonstrate their commitment to their role. The Chairman himself is also seeking re-election to the Board. Michael Harper, in his capacity as Senior Independent Director, has confirmed that the Chairman continues to be an effective Chairman and demonstrates commitment to his role as Chairman.

Resolution 5 – Re-election of Lynn Brubaker

Lynn Brubaker, who was appointed to the Board on 27 January 2016, accordingly offers herself for re-election. The Board considers that Lynn has considerable experience in the international aerospace industry, including responsibility for business development, strategy, operational and manufacturing issues. She has a strong track record of running international operations, as well as experience of businesses in which technology and intellectual property are important. Previously, Lynn was a non-executive Director of Force Protection, Inc., Seabury Group, Graham Partners, Cordiem, Chairman of the Flight Safety Foundation and a member of the Management Advisory Council of the Federal Aviation Administration. Lynn retired from Honeywell International in 2005, where she was Vice-President and General Manager of Commercial Aerospace. Prior to that, she held a variety of roles in the commercial aerospace sector working for Allied Signal (which acquired Honeywell in 1999), the McDonnell Douglas Corporation, Republic Airlines and ComAir Airlines. Lynn is a non-executive Director of FARO Technologies Inc, Hexcel Corp. and The Nordam Group.

Resolution 6 – Re-election of Admiral Sir James Burnell-Nugent

Admiral Sir James Burnell-Nugent, who was appointed to the Board on 10 April 2010, offers himself for re-election. The Board considers that Sir James' has significant experience of the defence industry, contracting with government, and management. Sir James was the High Sheriff of Devon

during 2015. 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 submariners. Between operational duties, Sir James held several positions at the MOD and gained cross-Whitehall experience while on secondment to HM Treasury. Sir James is the Non-executive Chairman of Witt Limited.

Resolution 7 – Re-election of Mark Elliott

Mark Elliott, who was appointed to the Board on 1 June 2009 and as Chairman of the Company on 1 March 2010, offers himself for re-election. The Board considers that Mark's experience of a variety of industry sectors from membership of the boards of FTSE listed companies, is a valuable asset to the Group in terms of leadership and of addressing the strategic issues that affect the Group. Mark was a Non-executive Director of G4S plc, where he was Senior Independent Director and Chairman of the Remuneration Committee, from September 2006 until May 2016. He was a Non-executive Director of Reed Elsevier Group PLC (and also Chairman of its Remuneration Committee) and Reed Elsevier NV from April 2003 until April 2013. He worked for IBM for over 30 years, where he occupied a number of senior management positions, including General Manager of IBM Europe, Middle East and Africa and was a member of IBM's Worldwide Management Council. Mark is Chairman of Kodak Alaris Holdings Limited.

Resolution 8 – Re-election of Michael Harper

Michael Harper, who was appointed to the Board on 22 November 2011 and as Deputy Chairman and Senior Independent Non-executive Director in February 2012, offers himself for re-election. The Board considers that Michael's wealth of operational and corporate experience, including in the engineering sector and in listed company governance, enables him to make a significant contribution to the Board. Michael was Chairman of Ricardo plc from November 2009 until November 2014, having joined that Board in 2003, Chairman of BBA Aviation plc from June 2007 until May 2014 and CEO from February 2006 until June 2007, having joined that Board in February 2005, and Chairman of Vitec Group plc from 2004 to 2012. He was Senior Independent Director of Catlin Group Limited from 2005 to 2011. Michael was previously a Director of Williams plc where, at the time of the demerger in 2000, he became CEO of Kidde plc. Michael is a Non-executive Director of the Aerospace Technology Institute.

Resolution 9 – Re-election of Ian Mason

Ian Mason, who was appointed to the Board on 3 June 2014, accordingly offers himself for re-election. The Board considers that Ian brings considerable experience in strategy, business transformation, ecommerce and international development. Ian was the Group Chief Executive of Electrocomponents plc from 2001 until March 2015, having joined that company in 1995. Previously he worked for The Boston Consulting Group and was a Non-executive Director of The Sage Group plc from 2007 to 2013. In October 2016, Ian was appointed Chief Executive Officer of Domestic & General Insurance Limited.

Resolution 10 – Re-election of Paul Murray

Paul Murray, who was appointed to the Board on 25 October 2010, offers himself for re-election. The Board considers that Paul brings a broad range of experience in finance and corporate governance from a cross-section of industries, all of which leverage technology. Previously, Paul was a Director of Knowledge Peers plc, Senior Independent Director of Taylor Nelson Sofres plc, a Non-executive Director of Thomson SA and Tangent Communications plc, and has also been Group Finance Director of Carlton Communications plc, Group Finance Director of LASMO plc and a Trustee of Pilotlight. During the year under review, Paul ceased to be a Director of Independent Oil and Gas plc. Paul is a Non-executive Director and Chair of the Audit & Risk Committee at Royal Mail Group plc. He is also a Director of Ventive Limited and Naked Energy Ltd.

Resolution 11 – Re-election of Susan Searle

Susan Searle, who was appointed to the Board on 14 March 2014, offers herself for re-election. The Board considers Susan's extensive experience of investing in growing technology businesses, acquisitions, intellectual property and exploitation of new technologies to be of particular relevance to QinetiQ as it pursues its strategic objectives. Susan was a founder of Touchstone Innovations plc (formerly Imperial Innovations Group plc), leading it as CEO from 2002 to July 2013, and previously has served on a variety of private company boards in engineering, healthcare and materials. Susan was a Trustee of Fight for Sight from 2013 to 2016. During the year under review, Susan ceased to be a member of the international advisory board of PTT. Susan held a variety of commercial and business development roles in her early career with Shell Chemicals, the Bank of Nova Scotia and Montech (Australia). Susan is the Senior Independent Director and Chair of the Remuneration Committee of both Benchmark Holdings plc and Horizon

Explanatory notes continued

Discovery Group plc. She is Chair of Woodford Patient Capital Trust plc and Chair of Mercia Technologies plc (and Chair of its Nominations Committee), having been previously Deputy Chair and Chair of the Audit Committee.

Resolution 12 – Election of David Smith

Article 110 of the Company's Articles of Association requires any Director newly appointed by the Board to offer himself/herself for re-appointment at the first annual general meeting following his/her appointment. David Smith, who was appointed to the Board on 1 March 2017, accordingly offers himself for election. David, QinetiQ's Chief Financial Officer, has extensive executive experience in blue-chip companies and has worked in the aerospace, defence, technology and automotive sectors. David is an Associate of the Chartered Institute of Management Accountants and a member of its Advisory Board. Before joining QinetiQ, David was Chief Financial Officer and a director of Rolls-Royce Holdings plc from November 2014, having joined that company in January 2014 as Chief Financial Officer of the Aerospace Division. Prior to Rolls-Royce, David was Chief Financial Officer and a Board member of Edwards Group from 2010 to 2013. David was Chief Executive Officer of Jaguar Land Rover from 2008 to 2010, having been Chief Financial Officer and Interim CEO in 2008 and, from 1983 to 2008, held a variety of roles with Ford Motor Company. During the year under review, David ceased to be an Advisory Board member for the Warwick Business School. David is a Non-executive Director of Motability Operations Group plc.

Resolution 13 – Re-election of Steve Wadey

Steve Wadey, who was appointed to the Board on 27 April 2015, offers himself for re-election. Steve, QinetiQ's Chief Executive Officer, has in-depth experience of the defence industry and technology, and extensive operational and corporate experience and stewardship. He is a Fellow of the Institution of Engineering and Technology, a Fellow of the Royal Aeronautical Society and a Fellow of 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 held various roles with MBDA from 2001 to 2014, most recently as Managing Director MBDA UK and Technical Director for the MBDA Group. Before that, he held various roles in engineering with Matra BAe Dynamics from 1996 to 2001, and various roles with British Aerospace from 1989 to 1996.

Resolutions 14 and 15 – Re-appointment of auditor and determining their remuneration

The Company is required to appoint an auditor at each general meeting at which accounts are laid, to hold office until the end of the next such meeting. During the year under review, the Company carried out a tender of the external audit. As a result of that process, KPMG LLP will be retiring as the Company's auditor at the Annual General Meeting and PricewaterhouseCoopers LLP have expressed their willingness to act as auditor. Accordingly, KPMG have notified the Company that they are not seeking reappointment and have provided a statutory statement of circumstances upon ceasing to hold office pursuant to section 519 of the 2006 Act. In accordance with section 520 of the 2006 Act, a copy of this statement is enclosed as Appendix 1 to this Notice.

Resolution 14, which is recommended by the Audit Committee, proposes the appointment of PricewaterhouseCoopers LLP as auditor of the Company and Resolution 15 follows best practice in giving authority to the Audit Committee to determine their remuneration.

Resolution 16 – Political donations

Resolution 16 is designed to deal with rules on political donations and expenditure contained in Part 14 of the 2006 Act (sections 362 to 379). Under section 378 of the 2006 Act, a company may not make donations to an EU political party, or other EU political organisation, or to an independent election candidate in the EU, of more than £5,000 in total, or incur any EU political expenditure, without first obtaining shareholder approval. It is the Company's policy not to make donations or other contributions to political parties. There is no intention to change that policy. What constitutes a 'political donation', a 'political party', a 'political organisation' or 'political expenditure' under the 2006 Act is not clear, as the legislation is capable of wide interpretation and may have the effect of covering a number of normal business activities that would not be thought to be political donations in the usual sense. To avoid any possibility of inadvertently contravening the 2006 Act, the Board considers that it would be prudent to follow the procedure specified in the 2006 Act to obtain shareholder approval for the Company and its subsidiaries to make political donations or incur political expenditure in the forthcoming year until the conclusion of the Annual General Meeting of the Company in 2018 (up to a total amount of £100,000 either individually or in aggregate). This authority will not be used to make any political donations as that expression would normally be understood.

Resolution 17 – Approval of the 2017 QinetiQ Group plc Incentive Plan ("Incentive Plan")

Shareholders are being asked to approve the introduction of the Incentive Plan. Subject to shareholder approval, the Incentive Plan will replace the current Bonus Banking Plan and Performance Share Plan. The Incentive Plan is made up of two elements. Element A is the renewal of the existing Bonus Banking Plan and Element B is the introduction of a Deferred Share Plan to replace the current Performance Share Plan.

Under Element A, the Bonus Banking Plan, annual Company contributions will be earned based on the satisfaction of performance conditions. Contributions will be made for three years, with payments made over four years. 50% of a participant's bonus account will be paid out annually for three years, with 100% of the residual value paid out at the end of year four. 50% of the unpaid balance of a participant's bonus account will be at risk of annual forfeiture. Under Element B, the Deferred Share Plan, shares are earned based on the satisfaction of a pre-grant annual performance assessment, and are subject to a three-year vesting period, during which the participant must remain employed by the Company, and a further two-year holding period. A minimum 50% of the unvested award will be at risk of forfeiture after three years. Further details can be found in Appendix 2 to this Notice and the new plan rules are available in full at the Company's registered office and at the offices of Ashurst LLP, Broadwalk House, 5 Appold Street, London EC2A 2HA. A copy will also be available for inspection before and during the Annual General Meeting.

Resolution 18 – Authority to allot new shares

Resolution 18 deals with the Directors' authority to allot shares.

The Directors may allot shares and grant rights to subscribe for, or convert any security into, shares only if authorised to do so by shareholders. The authority granted at the last Annual General Meeting is due to expire at this year's Annual General Meeting. Accordingly, Resolution 18 will be proposed as an ordinary resolution to grant new authorities to allot shares and grant rights to subscribe for, or convert any security into, shares.

Paragraph (a) of Resolution 18 will allow the Directors to allot shares in the capital of the Company up to a maximum nominal amount of £1,890,615 representing approximately one third of the Company's issued ordinary share capital (excluding treasury shares) as at 1 June 2017 (the latest practicable date prior to publication of this Notice). In accordance with the latest institutional guidelines issued by the Investment Association, paragraph (b) of Resolution 18 will also allow Directors to allot, including the ordinary shares referred to in paragraph (a) of Resolution 18, ordinary shares in connection with a pre-emptive offer by way of a rights issue to ordinary shareholders up to a maximum nominal amount of £3,781,230 (as reduced by allotments under paragraph (a) of Resolution 18), representing (before any reduction) approximately two thirds (66.66 per cent) of the Company's existing issued share capital (exclusive of treasury shares) calculated as at 1 June 2017 (being the latest practicable date prior to publication of this Notice). The power will last until the conclusion of the next Annual General Meeting in 2018 or, if earlier, 19 October 2018.

The Directors have no present intention of exercising this authority. However, if they do exercise the authority, the Directors intend to follow emerging best practice as regards its use as recommended by the Investment Association.

As at 1 June 2017, the Company held 4,515,868 ordinary shares in the capital of the Company in treasury, representing 0.8 per cent of the total number of ordinary shares in issue (excluding treasury shares).

Resolution 19 – Disapplication of pre-emption rights: standard

Resolution 19 will give the Directors authority to allot equity securities or sell treasury shares, pursuant to the authority granted under Resolution 18 above, for cash, and otherwise than to existing shareholders pro rata to their holdings, in certain circumstances. Apart from offers or invitations in proportion to the respective number of shares held, the authority will be limited to the allotment of equity securities and sales of treasury shares for cash up to an aggregate nominal value of £283,000 (being just under five per cent of the Company's issued ordinary share capital (excluding treasury shares) as at 1 June 2017, the latest practicable date prior to publication of this Notice). If given, this power will expire on 19 October 2018 or at the conclusion of the Annual General Meeting in 2018, whichever is the earlier.

The figure of five per cent (excluding treasury shares) reflects the Pre-emption Group 2015 Statement of Principles for the disapplication of pre-emption rights (the "Statement of Principles"). Your Directors will have due regard to the Statement of Principles in relation to any exercise of this power, in particular they do not intend to allot shares for cash on a non-pre-emptive basis pursuant to this power in excess of an amount equal to 7.5 per cent of the total issued ordinary share capital of the Company (excluding treasury shares) in any

Explanatory notes continued

rolling three-year period, without prior consultation with shareholders. The Directors have no present intention of exercising this authority.

Resolution 20 – Disapplication of pre-emption rights: acquisitions

The Directors are seeking again this year a further power from shareholders to allot equity securities or sell treasury shares for cash otherwise than to existing shareholders pro rata to their holdings, to reflect the Statement of Principles. Accordingly, Resolution 20 will be proposed as a special resolution to grant such a power. The power will be limited to the allotment of equity securities and sales of treasury shares for cash up to an aggregate nominal value of £283,000 (being five per cent of the Company's issued ordinary share capital (excluding treasury shares) as at 1 June 2017, the latest practicable date prior to publication of this Notice. This is in addition to the five per cent referred to in Resolution 19). If given, this power will expire on 19 October 2018 or at the conclusion of the Annual General Meeting in 2018, whichever is the earlier. Your Directors will have due regard to the Statement of Principles in relation to any exercise of this power and in particular they confirm that they intend to use this power only in connection with a transaction which they have determined to be an acquisition or other capital investment (of a kind contemplated by the Statement of Principles most recently published prior to the date of this Notice) which is announced contemporaneously with the announcement of the issue, or which has taken place in the preceding six month period and is disclosed in the announcement of the issue.

The Directors have no present intention of exercising this authority.

Resolution 21 – Authority to purchase own shares

Resolution 21 gives the Company the authority to purchase its own ordinary shares in the market (as permitted by the 2006 Act) up to a maximum of 56,700,000 ordinary shares until the conclusion of the Annual General Meeting to be held in 2018. This represents approximately 10% of the ordinary shares in issue (excluding treasury shares) as at 1 June 2017 (the latest practicable date prior to publication of this Notice) and the Company's exercise of this authority is subject to the maximum and minimum prices specified in Resolution 21.

The Directors have no intention at the present time of exercising this authority. The authority will be exercised only if the Directors believe that it will be in the best interests of the Company to purchase ordinary shares to satisfy awards or the exercise of options under employee share schemes or if the Directors otherwise believe that this will improve earnings per share. The current expectation is that any shares purchased under this authority would either be used to satisfy awards or the exercise of options under employee share schemes or would be held as treasury shares, but the Company would retain the flexibility to cancel any such shares or sell them for cash if it considers this to be in its best interests.

As at 1 June 2017 (the latest practicable date prior to publication of this Notice), there were options outstanding over 8,263,872 ordinary shares, which, if exercised, would represent approximately 1.46% of the Company's issued share capital (excluding treasury shares). If this authority were exercised in full and the purchased shares were cancelled, then these options would represent approximately 1.62% of the Company's then issued share capital (excluding treasury shares). There are no warrants outstanding.

Resolution 22 – Notice of meetings

Resolution 22 is a resolution to allow the Company to hold general meetings (other than annual general meetings) on 14 clear days' notice. Before the introduction of the Companies (Shareholders' Rights) Regulations 2009 in August 2009, the minimum notice period permitted by the 2006 Act for general meetings (other than annual general meetings) was 14 days. One of the amendments that the Companies (Shareholders' Rights) Regulations 2009 made to the 2006 Act was to increase the minimum notice period for listed company general meetings to 21 clear days, but with an ability for companies to reduce this period back to 14 clear days (other than for annual general meetings) provided that: (i) the Company offers facilities for shareholders to vote by electronic means; and (ii) there is an annual resolution of shareholders approving the reduction in the minimum notice period from 21 clear days to 14 clear days. The Board is therefore proposing Resolution 22 as a special resolution to approve 14 clear days as the minimum period of notice for all general meetings of the Company other than annual general meetings. The approval will be effective until the Company's next Annual General Meeting, when it is intended that the approval be renewed. The Company will use this notice period when permitted to do so in accordance with the 2006 Act and when the Directors consider that it is appropriate to do so.

Important notes to shareholders

The following notes explain your general rights as a shareholder and your

right to attend and vote at this Meeting or to appoint someone else to vote on your behalf.

1. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 and section 360B(2) of the 2006 Act, specifies that only those shareholders on the register of members as at 6.30pm on 17 July 2017 are entitled to attend and vote at the Meeting in respect of the number of shares registered in their name at that time or, if the Meeting is adjourned, as at 6.30pm on the date which is two days prior to the adjourned Meeting (as the case may be). In each case, changes to the register of members after that time shall be disregarded in determining the rights of any person to attend or vote (and the number of votes they may cast) at the Meeting.
2. A shareholder entitled to attend and vote at the Meeting may appoint another person(s) (who need not be a shareholder of the Company) to exercise all or any of his/her rights to attend, speak and vote at the Meeting. A shareholder can appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him/her.
3. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Your proxy could be the Chairman, another Director of the Company or another person who has agreed to attend to represent you. Your proxy will vote as you instruct and must attend the Meeting for your vote to be counted. As referred to above, details of how to appoint the Chairman or another person as your proxy using the proxy form are set out in the notes to the proxy form. Appointing a proxy does not preclude you from attending the Meeting and voting in person.
4. You may register your proxy appointment and voting directions electronically by visiting the www.sharevote.co.uk website, where full details of the procedure are given. If you return more than one proxy appointment, either by paper or electronic communication, that received last by the registrar before the latest time for receipt of proxies will take precedence. You are advised to read the terms and conditions of use carefully. Electronic communication facilities are open to all shareholders and those who use them will not be disadvantaged.
5. In order to be valid, an appointment of a proxy must be returned (together with the original or duly certified copy of the power of attorney or other authority (if any) under which it is signed or authenticated) by one of the following methods:
 - (a) deposited with the Company's registrar, by either mailing it to them at the address shown on the proxy form or via www.sharevote.co.uk; or
 - (b) in the case of CREST members, lodged using the CREST proxy voting service – see note 10 belowand in each case must be received not later than 11.00am on Monday, 17 July 2017 or 48 hours (excluding non-working days) before the time for holding any adjourned Meeting (or in the case of a poll taken subsequently to the date of the Meeting or adjourned meeting, not less than 24 hours before the time appointed for the taking of the poll).
6. The following documents are available for inspection during normal business hours at the registered office of the Company on any business day from the date of this Notice until the close of the Meeting and may also be inspected at the offices of Ashurst LLP, Broadwalk House, 5 Appold Street, London EC2A 2HA from 10.00am on Wednesday, 19 July 2017 until the conclusion of the Meeting:
 - (a) copies of the Executive Directors' service contracts with the Company;
 - (b) copies of the Non-executive Directors' letters of appointment;
 - (c) copy of the Company's current Articles of Association;
 - (d) copy of the rules of the 2017 QinetiQ Group plc Incentive Plan; and
 - (e) minutes of the last Annual General Meeting.
7. As soon as practicable following the Annual General Meeting, the results of the voting at the Meeting and the numbers of proxy votes cast in respect of each of the resolutions will be announced via a Regulatory Information Service and also placed on the Company's website www.QinetiQ.com.
8. If you have sold or transferred all your shares, this Notice and the accompanying proxy form should be passed to the person through whom the sale or transfer was made for transmission to the purchaser or transferee.
9. The statement of the rights of shareholders in relation to the appointment of proxies above does not apply to any person who is a person nominated under section 146 of the 2006 Act to enjoy information rights (a 'Nominated

Explanatory notes continued

- Person'). The right to appoint proxies can only be exercised by shareholders of the Company and not by a Nominated Person. However, a Nominated Person may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
10. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting to be held on Wednesday 19 July 2017 and any adjournment(s) thereof by using the procedures described in the CREST Manual, subject to the provisions of the Company's Articles of Association. The CREST Manual can be viewed at www.euroclear.com/CREST. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ('EUI') specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time(s) for receipt of proxy appointments specified in the Notice of Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST Personal Member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. All messages relating to the appointment of a proxy or an instruction to a previously appointed proxy, which are to be transmitted through CREST, must be received by Equiniti (ID RA19) no later than 11.00am on Monday, 17 July 2017, or 48 hours (excluding non-working days) before the time for holding any adjourned Meeting (or, in the case of a poll taken subsequently to the date of the Meeting or adjourned meeting, not less than 24 hours before the time appointed for the taking of the poll).
11. As at 1 June 2017 (being the latest practicable business day prior to the publication of this Notice), the Company's issued ordinary share capital consisted of 571,757,121 ordinary shares. The ordinary share total includes 4,515,868 ordinary shares held exclusive of voting rights in treasury. The ordinary shares (excluding treasury shares) carry one vote each and, therefore, the total voting rights in the Company are 567,241,253 as at that date. Holders of ordinary shares are entitled to attend and vote at general meetings of the Company. On a vote by show of hands, every ordinary shareholder who is present has one vote and every proxy present, who has been duly appointed by a shareholder entitled to vote, has one vote. On a vote by poll, every ordinary shareholder who is present, in person or by proxy, has one vote for every ordinary share of which he/she is the holder.
12. Voting on all resolutions will be conducted by way of a poll rather than a show of hands. This is a more transparent method of voting as member votes are to be counted according to the number of shares held. As soon as practicable following the Meeting, the results of the voting at the Meeting and the numbers of proxy votes cast for and against and the number of votes actively withheld in respect of each of the resolutions will be announced via a Regulatory Information Service and also placed on the Company's website, www.QinetiQ.com.
13. Any corporation which is a member of the Company may appoint one or more corporate representatives. Each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that he/she does not do so in relation to the same shares. It is no longer necessary to nominate a designated corporate representative.
14. Members satisfying the thresholds in section 527 of the 2006 Act can require the Company to publish a statement on its website setting out any matter relating to: (a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (b) any circumstances connected with an auditor of the Company ceasing to hold office since the last Annual General Meeting, that the members propose to raise at the Meeting. The Company cannot require a member requesting the publication to pay its expenses in complying with sections 527 or 528 of the 2006 Act. Any statement placed on the website, under section 527 of the 2006 Act, must also be sent to the Company's auditor no later than the time it makes its statement available on the website. The business which may be dealt with at the Meeting includes any statement that the Company has been required to publish, under section 527 of the 2006 Act, on its website.
15. Any member attending the Annual General Meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business to be dealt with at the Meeting but no such answer need be given if: (a) to do so would interfere unduly with the preparation for the Meeting or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
16. Certain items will not be permitted in the Annual General Meeting. These include bags, cameras, recording equipment, items of any nature with potential to cause disorder and such other items as the Chairman or designated officers of the Meeting may specify.
17. The contents of this Notice of Meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the Annual General Meeting, details of the totals of the voting rights that members are entitled to exercise at the Annual General Meeting and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this Notice will be available on the Company's website www.QinetiQ.com.
18. You may not use any electronic address (within the meaning of section 333(4) of the 2006 Act) provided in this Notice of Meeting (or any related document) to communicate with the Company for any purpose other than those expressly stated.

You could help QinetiQ help the environment

You can do this by electing to receive future Company communications by email rather than in paper form. Simply visit the Shareholder Services page on the QinetiQ website at www.QinetiQ.com. By making this election you are helping us reduce print, paper and postage costs and the associated environmental impact. You will be able to view the Report and Accounts the day they are published. You will also be able to access your individual shareholding quickly.

Protection from fraud

Protecting your shareholding is important to us. Please read the tips below to help safeguard your shareholding.

- Keep all your certificates safe, or hold your shares electronically in CREST via a nominee.
- Any correspondence received from the registrar which shows your shareholder reference number should be kept in a safe place, or destroyed by shredding – never just put in the bin.
- If you receive a letter from the registrar regarding a change of address and you have not recently moved, contact the registrar immediately as you may be a victim of identity theft.
- Elect to have your dividends paid direct into your bank. This will stop payments being intercepted, or lost, in the post. Please remember to tell the registrar if you change your bank account details.
- When buying or selling shares, only deal with brokers in your country of residence or the UK.

Appendix 1 Statutory Statement from KPMG LLP in connection with ceasing to act as Auditor



KPMG LLP
15 Canada Square
London E14 5GL
United Kingdom

Tel +44 (0) 20 7311 1000
Fax +44 (0) 20 7311 6463

2 June 2017

Dear Sirs

Statement to QinetiQ Group plc (no. 4586941) on ceasing to hold office as auditors pursuant to section 519 of the Companies Act 2006

The reason connected with our ceasing to hold office is the holding of a competitive tender for the audit, in which we were unsuccessful in retaining the audit.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'KPMG LLP'.

KPMG LLP

Audit registration number: 9188307
Audit registration address:
15 Canada Square
Canary Wharf, London, E14 5GL

KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Registered in England No OC301540
Registered office: 15 Canada Square, London, E14 5GL
For full details of our professional regulation please refer to 'Regulatory Information' under 'About/About KPMG' at www.kpmg.com/uk

Document Classification - KPMG Confidential

Appendix 2 Summary of the 2017 QinetiQ Group plc Incentive Plan

In this summary and sub-Appendices A and B, we provide you with an explanation of the ordinary resolution set out in the Notice of Annual General Meeting (the 'AGM'), which is being submitted to Shareholders to approve the introduction of the 2017 QinetiQ Group plc Incentive Plan (the 'Incentive Plan' or 'Plan').

Background to the introduction of the Incentive Plan

The Company's current Directors' Remuneration Policy (the "Policy") was approved by shareholders at the 2014 Annual General Meeting (AGM) and will require renewal at the 2017 AGM. The Remuneration Committee has conducted an extensive review of the current Policy taking into account the following factors:-

- the need to ensure Company strategy driven reward. The Company is entering into the next phase of its development with the launch and implementation of a new vision led strategy and aims to grow sustainably over the next five years in order to generate substantial long-term returns to shareholders. In order to support the strategy the Committee believes that the new Remuneration Policy should retain, motivate and reward Executives to deliver key strategic growth objectives;
- the need to reward, retain and lock-in a new Executive team (Executive Directors and Executive Committee) by incentivising annual performance and ensuring quick alignment with shareholders through the build-up and retention of earned shares;
- the desire to focus on operational and strategic objectives, via the existing Element A (Bonus Banking Plan), and introduce strategic growth measures, via the new Element B (Deferred Share Plan), into the incentive remuneration to support the implementation of the strategy;
- the need to reward, incentivise and retain Executives throughout the strategy implementation;
- the need to ensure that there is sufficient flexibility to set targets that meet the key strategic priorities at the point they arise during the strategy implementation;
- the desire to achieve simplicity (i.e. relevance) in the incentive plans
- the desire to communicate with the Company's Employee Engagement Group ensuring that the reward philosophy is understood and supported;
- the need to ensure that the total compensation levels are competitive in the industry in which the Company competes for talent;
- the ability to cascade the incentive performance measures and targets down through the leadership community to ensure a collective focus on the implementation of the strategy and the creation of sustainable long-term performance and shareholder value;
- a desire to reduce the maximum incentive opportunity to reflect concerns around the overall quantum of executive remuneration; and
- to implement latest best practice and corporate governance.

Proposed Changes to the current Policy in respect of the Incentive Plan

The Remuneration Committee is proposing to introduce an Incentive Plan made up of two elements. Element A is the renewal of the existing Bonus Banking Plan and Element B is the introduction of a Deferred Share Plan to replace the current Performance Share Plan.

There are no other material changes in relation to the Incentive Plan proposed in the new Policy from the current Policy. The proposed Remuneration Policy is set out in full in the 2017 Directors' Remuneration Report.

Appendix 2 Summary of the 2017 QinetiQ Group plc Incentive Plan continued

The following table sets out the incentive elements of the current Policy and their proposed replacements under the new Policy and the Committee's rationale:-

Plan	Current Policy	New Policy	Rationale
Element A – Bonus Banking Plan (the “BBP”)	<ul style="list-style-type: none"> – Maximum annual contribution into a Participant’s Plan Account of 200% of salary; – Contributions will be earned based on the following Corporate KPIs and personal objectives: <ul style="list-style-type: none"> • QinetiQ Operating Profit (25%); • QinetiQ Operating Cash Flow (25%); • QinetiQ Order Intake (25%); • Collective Objectives (12.5%); and • Personal Objectives (12.5%); – Contributions will be made for three years with payments made over four years; – 50% of the value of a Participant’s Plan Account will be paid out annually for three years and 50% will be retained as notional shares. – The notional value of the Plan Account will be exposed to the Company’s share price – 100% of the residual value paid out at the end of year four in actual shares; – 50% of the unpaid balance of a Participant’s Plan Account will be at risk of annual forfeiture. 	<p>Element A is simply a renewal of the current BBP. No change to current terms and conditions. Maximum 200% of salary.</p> <p>See sub-Appendix B for terms:-</p> <ul style="list-style-type: none"> – Cessation of employment; – Change of control; – Malus and Clawback. 	<ol style="list-style-type: none"> 1. Annual assessment of performance allowing:- <ol style="list-style-type: none"> (a) Incorporation of a wider range of operational and strategic objectives; (b) Assists in the management of any volatility in the business. 2. Simple. 3. Shareholder alignment via equity accumulation.
Element B – Deferred Share Plan	<p>Not part of the current Policy. Replacement for the QinetiQ Group plc 2012 Performance Share Plan (“PSP”). The Committee felt that there were the following issues with continuing to use the PSP as part of the new Policy:-</p> <ol style="list-style-type: none"> 1. Performance Conditions:- <ol style="list-style-type: none"> (c) The challenge to set three year performance conditions and targets given the new changing strategy for the Company’s business; (d) The narrow range of performance conditions which could practically be used with the PSP due to the difficulty of setting operational and strategic targets taking into account commercial confidentiality and the need to provide sufficient visibility to shareholders at the date of grant; (e) The challenge of fairly taking into account acquisitions during the performance period for a PSP award. 2. Awards under the PSP were not valued by Executives making them an ineffective incentive and retention tool. 3. The Committee felt by replacing the PSP with Element B (Deferred Share Plan) provides greater economic value to Participants and therefore proposes to reduce Element B opportunity from a current maximum of 200% to 125%. <p>The replacement of the PSP with Element B (Deferred Share Plan) will both simplify the incentive arrangements and make them more relevant to Participants. The use of an annual performance period where the Executives are rewarded for that year’s performance based on targets over which they have line of sight with part paid in cash and part deferred in shares is generally more relevant to Participants than a long-term incentive plan.</p>	<ul style="list-style-type: none"> – Maximum annual deferred share award of 125% of salary; – Deferred share award will be earned based on the satisfaction of strategic financial growth objectives set by the Committee each year in line with the Company’s five year strategic plan. For the first year of the operation of the Plan it is proposed that the targets are based on Underlying Operating Profit growth; <p>Shares earned under Element B (Deferred Share Plan) are subject to a three year vesting period during which the Participant must remain employed by the Company and also cannot be sold for five years from the date of award irrespective of employment status. Awards under Element B (Deferred Share Plan) will be made in July of the year following the year during which performance was measured.</p> <p>Awards will be subject to an underpin performance condition based on the outrun giving rise to the award. The underpin will require this level of performance to be maintained or exceeded at the end of the 3-year deferral period. Where the underpin is not met a minimum of 50% of the earned award will lapse.</p> <p>See Appendix B for terms:-</p> <ul style="list-style-type: none"> – Cessation of employment; – Change of control; – Malus and Clawback. 	<ol style="list-style-type: none"> 1. Annual assessment of performance allowing:- <ol style="list-style-type: none"> (a) Incorporation of a strategic growth performance measures; (a) Assists in the management of any volatility in the business. 2. Simple. 3. Retentive as the sole condition once the deferred shares have been earned over the period of deferral is continued employment. 4. One of the alternative models suggested by the Executive Remuneration Working Group in their report. 5. Supportive of corporate governance and best practice:- <ul style="list-style-type: none"> – Simplicity; – Deferral of a proportion of annual bonus in shares supporting the alignment of the interests of executives and shareholders; – The support of the build-up of a long-term locked in shareholding by executives; – The facilitation of malus and clawback by having a significant amount of the incentives earned deferred in shares and under the control of the Company post the determination of the bonus for a particular year. <p>It should be noted that any increase in the incentive opportunity will be accompanied by an appropriate increase in the stretch of the performance conditions.</p>

Appendix 2 Summary of the 2017 QinetiQ Group plc Incentive Plan continued

Plan	Current Policy	New Policy	Rationale
Total Incentive Opportunity	– 425% of salary	– 325% of salary	<p>1. The Committee has determined to decrease the maximum incentive opportunity to reflect that in its opinion the proposed Incentive Plan is more effective at aligning with the Company's strategy by providing appropriately achievable targets and therefore will be considered more relevant and valuable to Executives.</p> <p>2. The Committee is cognisant of the general sentiment that quantum for executive remuneration is too high.</p>
Minimum Shareholding Requirement	<ul style="list-style-type: none"> – CEO 200% of salary – CFO 150% of salary 	<ul style="list-style-type: none"> – CEO 300% of salary – CFO 200% of salary 	The build-up and retention of shares by management is a key objective of the proposed Policy. The minimum shareholding requirement supports this objective.

Shareholder Consultation

The Committee consulted with 18 of its largest investors as well as the main Shareholder representative bodies prior to finalising the design of the Incentive Plan. The Committee is grateful for the significant degree of engagement with the Company shown by those shareholders consulted throughout the consultation process, and for their comments and feedback. At the end of this process the Committee is pleased that the majority of Shareholders consulted have indicated they are supportive of the Plan.

Board Recommendation

The Board considers the Plan to be in the best interests of the Company and Shareholders. Accordingly, the Board unanimously recommends that Shareholders vote in favour of the ordinary resolution set out in the AGM Notice.

Sub-Appendix A

The Committee felt it might be helpful for shareholders to see the questions it asked itself during the review of the Policy and the proposed changes to the incentives and the answers it reached:-

Question	Answer
General	
Why does the Committee believe the proposed approach is simple?	<p>The Committee believes that the following factors impact on whether remuneration is simple:-</p> <ul style="list-style-type: none"> – The relevance of the performance conditions and targets set. Research has shown that most executives are focused on being fairly rewarded for performance delivered and that the most impact on behaviour is where performance is measured annually. This has been addressed by increasing the amount of the incentive based on the annual assessment of performance. – The operation of multiple plans increases complexity. The removal of the PSP simplifies the incentive framework. – Performance share plans increase complexity because of multi-year performance periods, holding periods and malus and clawback. Therefore the removal of the PSP reduces complexity.
How far will the Incentive Plan go down through the organisation?	It is the Committee's intention that the elements of the Incentive Plan will extend deep in to the Company. The number of employees eligible to participate in the Plan will be approximately 200 covering the Executive Directors, Executive Committee and Leadership Community. The Company's remuneration philosophy for all the business leaders from the Executives downwards is that they should have a significant annual element of performance based pay with part provided in deferred shares to ensure a focus on long-term sustainable value creation and to align their experience with those of shareholders.
Annual Assessment	
Why has the Committee based the incentive package on the annual assessment of performance?	<p>The Committee has taken this decision for the following reasons:-</p> <ul style="list-style-type: none"> – The changes in the business and the substantial transformation over the period of the Integrated Strategic Business Plan means that financial metrics may change rapidly, and therefore the Committee feels that there is significant challenge to setting multiple year performance targets used for typical long-term incentive arrangements. – The annual assessment of a range of financial and strategic measures with a substantial proportion of incentives paid in shares which have to be retained for significant periods should ensure the ultimate value of the incentives earned will reflect the long-term sustainable performance of the company. <p>The Company will review this approach at the end of the three year Policy period to ensure that it remains appropriate for the new Policy period.</p>

Appendix 2 Summary of the 2017 QinetiQ Group plc Incentive Plan continued

Question	Answer
<p>Why has the Committee determined to have a wide range of performance conditions based on strategic and operational performance?</p>	<p>The Committee believes that to ensure the success of the Company over the next period Executives should be focused on a wide range of operational and strategic objectives. These type of objectives:-</p> <ul style="list-style-type: none"> - will ensure that the executives are incentivised and rewarded for the successful implementation of the Company' strategy; - take into account a much wider aspect of performance than simply delivering a set of numbers focusing on both the how and the sustainability of performance over the long-term; - allow the Committee to set targets which incentivise strategic and operational objectives which will have an impact on the long-term sustainable performance of the business but may not be reflected in short to medium term financial metrics. The Committee believes that the incorporation of strategic and operational objectives measured annually allows companies to incentivise key decisions which over a period of time drive long-term sustainable performance.
<p>Why has the Committee chosen the Incentive Plan structure to incentivise strategic and operational performance?</p>	<p>The Committee's rationale is as follows:-</p> <ul style="list-style-type: none"> - These types of targets do not lend themselves to the setting and disclosure at grant under a performance share plan, due to their changing nature over time and their confidentiality. The Committee believes that it is far better to set these types of conditions annually and provide full retrospective disclosure at the end of each year for the targets and their level of attainment. It is easier to quantify the satisfaction of strategic objectives by looking back over a period and providing evidence of progress against the longer term objective. The Committee also believes that this approach makes it easier to provide sufficient evidence of performance to disclose to shareholders to allow them to judge the level of award made to Participants. - The Committee felt they could set these types of conditions more accurately for a 12 month period. - It is much easier to adjust strategic and operational performance measured over one year where there are acquisitions or disposals.
<p>Why does the Committee consider deferred shares a long-term incentive?</p>	<p>The ability to earn shares on an annual basis that are then locked-in for a subsequent period ensure:-</p> <ul style="list-style-type: none"> - that the ultimate value of shares reflects whether the annual performance has flowed through to long-term sustained value; - Executives' experience will be the same as shareholders over the period through the substantial amount of the proposed incentive package provided in equity. - Evidence shows that where companies have executives who have built up and retained a material shareholding they perform better in the long-term. <p>It is the Committee's view that this is both a true long-term incentive and alignment with shareholders.</p>
<p>Will the stretch in the performance conditions match the increased Incentive Plan opportunity?</p>	<p>The Committee intends to set appropriately challenging performance targets to ensure the delivery of annual financial and operational goals as well as the implementation of the Company's strategy, taking in to account the market conditions facing the business each year and the size of the incentive opportunity. Therefore, the performance conditions would be more stretching for the new Incentive Plan with its increased opportunity than would be case for the existing opportunities all other factors being the same. The Company will, as is currently the case, provide full granular retrospective disclosure of the performance conditions, the targets set and the level of performance achieved so that shareholders can judge for themselves whether the incentives earned are warranted by the performance delivered.</p>
<p>Will the Company provide full disclosure of the Incentive Plan performance conditions?</p>	<p>The Committee will, as is currently the case, provide full granular retrospective disclosure of the performance conditions, the targets set and the level of performance achieved so that shareholders can judge themselves whether the bonus earned is warranted by the performance delivered.</p>

Appendix 2 Summary of the 2017 QinetiQ Group plc Incentive Plan continued

Sub-Appendix B

The Committee felt it might be helpful for shareholders to see the questions it asked itself during the review of the Policy and the proposed changes to the incentives and the answers it reached:-

This Appendix B sets out the key terms of the Incentive Plan.

Definitions

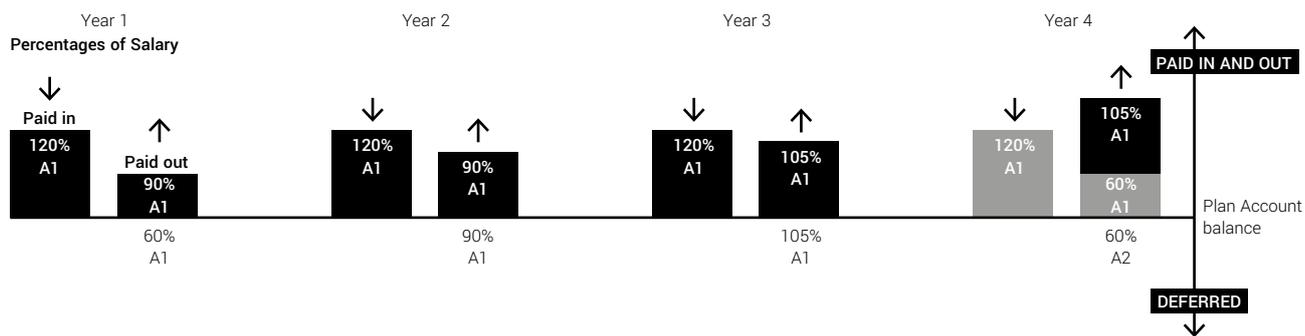
'AGM'	the Annual General Meeting of shareholders convened by the Notice of AGM dated 13 June 2017;
'Board'	the Board of Directors of the Company;
'Closed Period'	a period when the Board of the Company is prohibited from dealing in Shares under the Market Abuse Regulation;
'Remuneration Committee' or 'Committee'	a Committee of the Board of the Company;
'Element A'	Element A (Bonus Banking Plan) of the Incentive Plan;
'Element B'	Element B (Deferred Share Plan) of the Incentive Plan;
'Employee Trust'	the QinetiQ Group plc Employee Benefit Trust;
'Group'	the Company and all of its direct and indirect subsidiaries;
'QinetiQ' or the 'Company'	QinetiQ Group plc
'Incentive Plan' or 'Plan'	The 2017 QinetiQ Group plc Incentive Plan ;
Participant' or 'Participants'	individuals employed by the Group intended to participate in the Incentive Plan;
'Participant's Plan Account'	the virtual account held for each Participant into which Company Contributions earned under the Incentive Plan are transferred;
'Sale Restrictions'	restrictions on Participant's selling shares under vested Element B (Deferred Share Plan) awards;
'Shareholders'	holders of the shares;
'Shares'	the Company's ordinary shares.

This schematic shows the operation of Element A of the Incentive Plan which is the same as the current Bonus Banking Plan:-

For example: – First Cycle of Operation (A1 in the following schematic)

<p>Year 1 Maximum annual contribution under Element A is 200% of salary.</p> <p>Therefore, if 60% of the maximum is earned that equals 120% of salary.</p> <ul style="list-style-type: none"> – 60% is paid in cash; – 60% is deferred in shares. 	<p>Year 2 Maximum annual contribution under Element A is 200% of salary.</p> <p>Therefore if 60% of the maximum is earned that equals 120% of salary.</p> <ul style="list-style-type: none"> – Deferred element from Year 1 = 60 of salary; – Contribution from Year 2 = 120% of salary; – 50% of the value in a Participant's Plan Account is paid at the end of Year 2 = $(60\%+120\%) \times 50\% = 90\%$; – 50% of the value is deferred = 90%.
<p>Year 3 Maximum annual contribution under Element A is 200% of salary.</p> <p>Therefore if 60% of the maximum is earned that equals 120% of salary.</p> <ul style="list-style-type: none"> – Deferred element from Year 1 & 2 = 90% of salary; – Contribution from Year 3 = 120% of salary; – 50% of the value in a Participant's Plan Account is paid at the end of Year 3 = $(90\%+120\%) \times 50\% = 105\%$; – 50% of the value is deferred = 105%. 	<p>Year 4 In Year 4 the deferred element from Year 3 is paid = 105%.</p> <p>If the Company has decided to operate a further cycle of operation of Element A of the Incentive Plan the Participant will also receive 60% paid immediately and 60% will be deferred (A2 in the following schematic).</p>

Appendix 2 Summary of the 2017 QinetiQ Group plc Incentive Plan continued



New Element B (Deferred Share Plan) (replacing the current Performance Share Plan)

- Maximum annual deferred share award of 125% of salary;
- Deferred share award will be earned based on challenging strategic financial growth objectives set by the Committee each year in line with the five year strategy plan. For the first year of the operation of the Plan it is proposed to use Operating Profit growth;
- Shares earned under Element B (Deferred Share Plan) are subject to a three year vesting period during which the Participant must remain employed by the Company and also cannot be sold for five years from the date of award irrespective of employment status. Awards under Element B (Deferred Share Plan) will be made in July of the year following the year during which performance was measured. Awards will be subject to an underpin performance condition based on the outrun giving rise to the award. The underpin will require this level of performance to be maintained or exceeded at the end of the 3 year deferral period. Where the underpin is not met a minimum of 50% of the earned award will lapse.

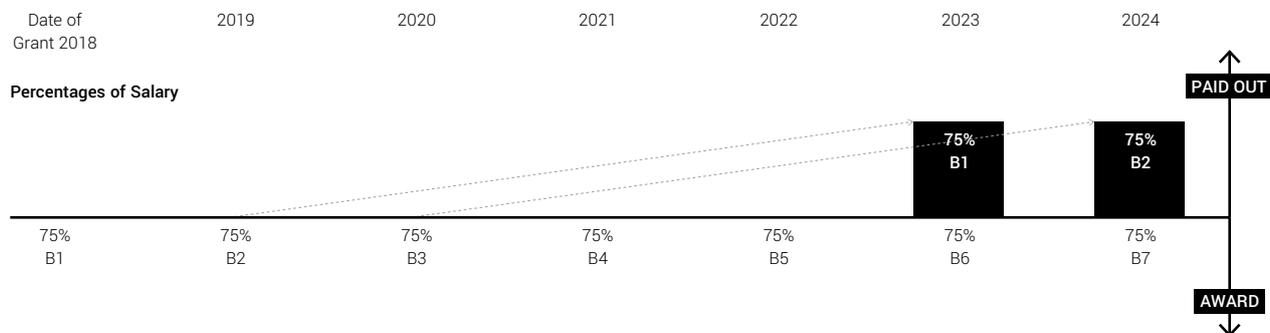
This schematic shows the operation of the deferred share award (Element B):-

Maximum annual award under Element B is 125% of salary.

Awards vest 3 years plus 2 year further holding period.

Therefore, if 60% of the maximum earned (75% of salary).

The table below shows the profile of the payouts over the 6-year period (assumes no share price growth).



Appendix 2 Summary of the 2017 QinetiQ Group plc Incentive Plan continued

	Element A (Bonus Banking Plan)	Element B (Deferred Share Plan)																
Participants	Executive Directors, Executive Committee and Leadership Community (approximately 200 people)	Executive Directors, Executive Committee and Leadership Community (approximately 200 people)																
Quantum	<table border="1"> <thead> <tr> <th>Level (Expected number of Participants)</th> <th>Max Element A award % of salary</th> </tr> </thead> <tbody> <tr> <td>Executive Directors (2)</td> <td>200%</td> </tr> <tr> <td>Executive Committee (12)</td> <td>120%</td> </tr> <tr> <td>Leadership Community (186)</td> <td>15 to 60%</td> </tr> </tbody> </table>	Level (Expected number of Participants)	Max Element A award % of salary	Executive Directors (2)	200%	Executive Committee (12)	120%	Leadership Community (186)	15 to 60%	<table border="1"> <thead> <tr> <th>Level (Expected number of Participants)</th> <th>Max Element B award % of salary</th> </tr> </thead> <tbody> <tr> <td>Executive Director (2)</td> <td>125%</td> </tr> <tr> <td>Executive Committee (12)</td> <td>70%</td> </tr> <tr> <td>Leadership Community (186)</td> <td>18 to 35%</td> </tr> </tbody> </table>	Level (Expected number of Participants)	Max Element B award % of salary	Executive Director (2)	125%	Executive Committee (12)	70%	Leadership Community (186)	18 to 35%
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Cessation of Employment	<p>For the Year of Cessation Good leavers: Performance conditions will be measured at the measurement date. The Company bonus contribution will normally be pro-rated for the period worked during the financial year.</p> <p>Other leavers: No Company bonus contribution payable for year of cessation.</p> <p>Deferred Balances in Participant's Plan Account Good leavers: The balance in the Participant's Plan Account will be payable on cessation of employment.</p> <p>Other leavers: The balance in the Participants' Plan Account will be forfeited on cessation of employment.</p> <p>Committee Discretion For the Year of Cessation Discretion: the Remuneration Committee has the following elements of discretion:-</p> <ul style="list-style-type: none"> - to determine that an executive is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders; and - to determine whether to pro-rate the Company bonus contribution to time. The Remuneration Committee's normal policy is that it will pro-rate for time. It is the Remuneration Committee's intention to only use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to shareholders. <p>Deferred Balances in Participant's Plan Account Discretion: the Remuneration Committee has the following elements of discretion:</p> <ul style="list-style-type: none"> - to determine that an executive is a good leaver. It is the Remuneration Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders; - to determine whether the payment of the balance of the Participant's Plan Account should be in cash or shares or a combination of both; - to determine whether to pro-rate the balance of the Participant's Plan Account payable on cessation. The Committee's normal policy is that it will not pro-rate. The Remuneration Committee will determine whether to pro-rate based on the circumstances of the Executive Directors' departure. 	<p>For the Year of Cessation Good leavers: Performance conditions will be measured at the measurement date. The Element B (Deferred Share Plan) award will normally be pro-rated for the period worked during the financial year.</p> <p>Other leavers: No Element B award for year of cessation.</p> <p>Subsisting Element B (Deferred Share Plan) Awards Good leavers: Element B awards will vest on their original vesting dates and remain subject to the sale restrictions.</p> <p>Other leavers: Element B awards will be forfeited on cessation of employment.</p> <p>Committee Discretion For the Year of Cessation Discretion: the Remuneration Committee has the following elements of discretion:-</p> <ul style="list-style-type: none"> - to determine that an executive is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders; - to determine whether to pro-rate the Company award to time. The Remuneration Committee's normal policy is that it will pro-rate for time. It is the Remuneration Committee's intention to only use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to shareholders; - to determine whether the Element B (Deferred Share Plan) award will vest on the date of cessation or the original vesting date. The Remuneration Committee will make its determination based amongst other factors on the reason for the cessation of employment; - to determine whether to provide the Element B award in the form of cash or shares. <p>Subsisting Element B (Deferred Share Plan) Awards Discretion: the Remuneration Committee has the following elements of discretion:</p> <ul style="list-style-type: none"> - to determine that an executive is a good leaver. It is the Remuneration Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders; - to determine whether to pro-rate the Element B award to the date of cessation. The Committee's normal policy is that it will pro-rate. It is the Remuneration Committee's intention to only use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to shareholders; - to determine whether the Element B award will vest on the date of cessation or the original vesting date. The Remuneration Committee will make its determination based amongst other factors on the reason for the cessation of employment. 																

Appendix 2 Summary of the 2017 QinetiQ Group plc Incentive Plan continued

	Element A (Bonus Banking Plan)	Element B (Deferred Share Plan)									
Change of Control	<p>For the Year of the Change of Control Performance conditions will be measured at the date of the change of control. The Company bonus contribution will normally be pro-rated to the date of the change of control.</p> <p>Deferred Balances in Participant's Plan Account The balance in the Participant's Plan Account will be payable on the change of control.</p> <p>Committee Discretion For the Year of the Change of Control Discretion: the Remuneration Committee has the following element of discretion:-</p> <ul style="list-style-type: none"> – to determine whether to pro-rate the Company bonus contribution to time. The Remuneration Committee's normal policy is that it will pro-rate for time. It is the Remuneration Committee's intention to only use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to shareholders. <p>Deferred Balances in Participant's Plan Account Discretion: the Remuneration Committee has the following elements of discretion:</p> <ul style="list-style-type: none"> – to determine whether the payment of the balance of the Participant's Plan Account should be in cash or shares or a combination of both; – to determine whether to pro-rate the balance of the Participant's Plan Account payable on change of control. The Committee's normal policy is that it will not pro-rate. The Remuneration Committee will determine whether to pro-rate based on the circumstances of change of control. 	<p>For the Year of the Change of Control Performance conditions will be measured at the date of the change of control. The Element B award will normally be pro-rated to the date of the change of control.</p> <p>Subsisting Element B (Deferred Share Plan) Awards The awards will vest on the date of the change of control and the sale restrictions will fall away.</p> <p>Committee Discretion For the Year of the Change of Control Discretion: the Remuneration Committee has the following element of discretion:-</p> <ul style="list-style-type: none"> – to determine whether to pro-rate the Element B award to time. The Remuneration Committee's normal policy is that it will pro-rate for time. It is the Remuneration Committee's intention to only use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to shareholders. <p>Subsisting Element B (Deferred Share Plan) Awards Discretion: the Remuneration Committee has the following elements of discretion:</p> <ul style="list-style-type: none"> – to determine whether the satisfaction of Element B awards should be in cash or shares or a combination of both; – to determine whether to pro-rate Element B awards on change of control. The Committee's normal policy is that it will not pro-rate. The Remuneration Committee will determine whether to pro-rate based on the circumstances of change of control. 									
Dilution	The Plan will operate standard ABI Dilution Limits.										
Shareholding Requirement	The minimum shareholding requirement is 300% of salary for the CEO and 200% for the CFO. Executive Directors will not be expected to purchase Shares in the market to meet this requirement but to retain Shares earned under the Company's incentive arrangements.										
Operation of Requirement	Only Shares held unconditionally by Executive Directors and vested Shares under Element B of the Incentive Plan will count towards the shareholding requirement.										
Clawback & Malus	<p>Malus provisions apply to both the Element A (Bonus Banking Plan) and the Element B (Deferred Share Plan) of the Incentive Plan. Malus is the adjustment of Element A bonus contributions or the balance in Participant's Plan Account or unvested Element B (Deferred Share Plan) awards because of the occurrence of one or more circumstances. The adjustment may result in the value being reduced to nil.</p> <p>Clawback is the recovery of payments made under Element A of the Incentive Plan or vested Element B awards as a result of the occurrence of one or more circumstances. Clawback may apply to all or part of a Participant's payment under Element A or Element B award and may be effected, among other means, by requiring the transfer of shares, payment of cash or reduction of awards or bonuses.</p> <p>The circumstances in which malus and clawback could apply are as follows:-</p> <ul style="list-style-type: none"> – discovery of a material misstatement resulting in an adjustment in the audited accounts of the Group or any Group company, – the assessment of any performance condition or condition in respect of a payment or award under the Incentive Plan was based on error, or inaccurate or misleading information, – the discovery that any information used to determine the Element A or Element B award was based on error, or inaccurate or misleading information; – action or conduct of a Participant which amounts to fraud or gross misconduct, or – events or the behaviour of a Participant have led to the censure of a Group company by a regulatory authority or have had a significant detrimental impact on the reputation of any Group company provided that the Board is satisfied that the relevant Participant was responsible for the censure or reputational damage and that the censure or reputational damage is attributable to the Participant. <table border="1" data-bbox="290 1774 1455 1899"> <thead> <tr> <th></th> <th>Element A (Bonus Banking Plan)</th> <th>Element B (Deferred Share Plan)</th> </tr> </thead> <tbody> <tr> <td>Malus</td> <td>Up to the date of a Payment.</td> <td>Any time prior to vesting.</td> </tr> <tr> <td>Clawback</td> <td>Three years post the date of any Payment.</td> <td>Three years from the date of vesting.</td> </tr> </tbody> </table>			Element A (Bonus Banking Plan)	Element B (Deferred Share Plan)	Malus	Up to the date of a Payment.	Any time prior to vesting.	Clawback	Three years post the date of any Payment.	Three years from the date of vesting.
	Element A (Bonus Banking Plan)	Element B (Deferred Share Plan)									
Malus	Up to the date of a Payment.	Any time prior to vesting.									
Clawback	Three years post the date of any Payment.	Three years from the date of vesting.									
Sale Restrictions	Element B (Deferred Share Plan) awards to Executive Directors will be subject to a two year period following vesting when the Shares vested cannot be sold. The Committee may also include Sale Restrictions of up to two years for other Participants in the Plan.										

Appendix 2 Summary of the 2017 QinetiQ Group plc Incentive Plan continued

A good leaver is a person whose cessation of employment is for one of the following reasons:-

- death;
- ill-health;
- injury or disability;
- redundancy;
- retirement;
- employing company ceasing to be a Group company;
- transfer of employment to a company which is not a Group company; and
- where the person is designated a good leaver at the discretion of the Committee (as described above).

A person who ceases employment in circumstances other than those set out above is designated other leaver.

Operation

The Committee, (the members of which are independent non-executive directors), supervises the operation of the Plan in respect of the employees of the Company, including the Executive Directors. The Committee has the discretion to make awards at any time where they consider the circumstances appropriate. No awards will be granted during a Closed Period.

Eligible Employees

Any employee of the Group is eligible to participate in the Plan. Non-executive directors are not eligible to participate in the Plan.

Taxation

The payment of a cash bonus and the vesting and exercise of awards are conditional upon the Participant paying any taxes due.

Allotment and Transfer of Shares

Shares allotted by the Company, transferred from treasury or transferred by the Trustee of the Employee Trust will not rank for dividends payable if the record date for the dividend falls before the date on which the shares are acquired by the Participant. If new issue shares are used to satisfy the vesting and/or exercise of awards, an application will be made for the admission of the new shares to be issued to the Official List of, and to trading on, the London Stock Exchange plc's main market for listed securities.

Variation of Share Capital

On a variation of the capital of the Company, the number of Shares subject to awards and their terms and conditions may be adjusted in such manner as the Committee determines is appropriate.

Duration

The Plan will operate for a period of ten years from the date of approval by shareholders. The Committee may not grant awards under the Plan after the ten year period.

Amendments

Amendments to the rules of the Plan may be made at the discretion of the Committee. However, the provisions governing eligibility requirements, equity dilution, Share utilisation and the adjustments that may be made following a rights issue or any other variation of capital, together with the limitations on the number of Shares that may be issued, cannot be altered to the advantage of Participants without prior Shareholder approval, except for minor amendments to benefit the administration of the Plan, to take account of a change in legislation, or to obtain or maintain favourable tax, exchange control or regulatory treatment for Participants or for the Group. An amendment may not adversely affect the rights of an existing Participant except where the Participant has approved the amendment.

In addition, the Committee may add to, vary, or amend the rules of the Plan by way of a separate schedule in order that the Plan operates in compliance with all requisite local legislative and regulatory requirements as may apply to both Participants and/or the relevant Group company, provided that the parameters of these arrangements will provide no greater benefits than under the rules of the Plan as summarised above.

General

Cash bonus, Shares acquired and awards and any other rights granted pursuant to the Plan are non-pensionable.

Non-Transferability of Awards

Awards are not transferable, except in the case of a Participant for whom a trustee is acting, in which case the trustee will be able to transfer the benefit to the Participant or by will or the laws of descent and distribution.

Employee Trust

The Company may utilise the existing discretionary employee benefit trust, the QinetiQ Group plc Employee Benefit Trust (the "EBT" which includes any successor trust set up in connection with the Company's employee share schemes), in order to meet obligations due under the Plan. The Trustee of the EBT has full discretion with regard to the application of the trust fund (subject to recommendations from the Committee). The Company will be able to fund the EBT to acquire Shares in the market and/or to subscribe for Shares at nominal value in order to satisfy awards granted under the Plan. Any Shares issued to the EBT in order to satisfy awards under the Plan will be treated as counting towards the dilution limits that apply to the Plan. For the avoidance of doubt, any Shares acquired by the EBT in the market will not count towards these limits. In addition, unless prior Shareholder approval is obtained, the EBT will not hold more than 5% of the issued share capital of the Company at any one time (other than for the purposes of satisfying awards of Shares that it has granted).

Note: This sub-Appendix B summarises the main features of the Plan, but does not form part of them, and should not be taken as affecting the interpretation of the detailed terms and conditions constituting the Plan Rules. Copies of the Plan Rules will be available for inspection at the Company's registered office at Cody Technology Park, Ively Road, Farnborough, Hampshire, GU14 0LX during usual office hours (Saturdays, Sundays and statutory holidays excepted) from the date of despatch of the AGM Notice up to and including the date of AGM and at the offices of Ashurst LLP, Broadwalk House, 5 Appold Street, London EC2A 2HA. Copies of the Plan Rules will also be made available at Ashurst LLP, Broadwalk House, 5 Appold Street, London EC2A 2HA (where the 2017 AGM will be held) from 10.00 am on Wednesday, 19 July 2017 until the conclusion of the Meeting. The Directors reserve the right, up to the time of the AGM, to make such amendments and additions to the rules of the Plan as they consider necessary or desirable, provided that such amendments and additions do not conflict in any material respect with the summary set out in this sub-Appendix B.