

OUR PEOPLE ENGAGED IN HIGH-PERFORMING TEAMS



Safe for Life

The Safe for Life Champion role is a key catalyst for improving safety awareness and action. Champions receive behavioural observation and intervention training and are empowered to make improvements. For example at the BUTEC range site, our champion has identified new ways to ensure safe operations – from how boats are refuelled, to improving signage. His engagement is not just with our people but also with our customers to ensure everyone is able to contribute to a safe working environment.

Health and safety

	FY18	FY17	FY16
Lost Time Incident rate	4.0	5.7	5.0

The LTI rate is calculated as the number of lost time incidents, where the employee is away from work for one or more days, times 1,000, divided by the total number of employees.



Where to find more information Page 18

Non-financial KPIs: employee engagement, apprentices and graduates, health and safety

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Principal risks and uncertainties: recruitment and retention

For more information on ED&I and our Gender Pay Gap Report www.QinetiQ.com/about-us/corporate-responsibility

We are committed to a safe, modern working environment where everybody has the opportunity to contribute to our success. Our culture, inclusive approach to engagement, recognition and development, enable people to deliver outstanding solutions for our customers around the world.

Focused on safety, health and wellbeing for our people

In 2017, we launched a three-year Health, Safety and Environment strategy. Our aim is to create a safety first culture, where everyone is involved in continuously improving health, safety and the environment. A 'Safe for Life' programme has been introduced across the Company, to ensure that we keep ourselves and each other safe at all times. In FY18, our leaders committed to a collective objective to drive and support the success of this programme. Safety awareness is increasing through a focus on communication and on behavioural safety. Following the launch of the programme we are observing an improvement in safety performance. The FY18 Lost Time Incident (LTI) rate for QinetiQ Group was 4.0 compared with 5.7 in FY17. There were no prosecutions, prohibition notices or improvement notices issued by regulators in the UK during the last financial year, two indicators that our approach to safety is creating real results. We are encouraging our people to manage their own health and wellbeing, enabling them to perform to the best of their ability, with energy and creativity. Plans for FY19 include greater emphasis on raising awareness on wellbeing issues – the importance of health, and how to get help and support, and we have recently created a wellbeing group to create momentum.

Creating the culture to engage our people for business performance and growth

We have introduced a cultural development strategy and plan, centred on three strands: defining our culture, managing performance and employee engagement. Our top 100 leaders and employee groups will continue to play a key role in shaping our 'One QinetiQ' culture. Improving the way in which we enable our people to own and drive their performance continues through our performance and development framework. We are ensuring consistency of approach, based on the 'what' (objectives) and on the 'how' (values and behaviours), as well as emphasis on continuous professional development, through our career pathways as our people are deployed to different business units within the Company.

Engaging our people is vital to our success and the delivery of our strategy. This starts from our first interaction with our future employees through our outreach programmes (see page 35), early careers pipelines, at interview, recruitment, onboarding and throughout people's careers including our Friends of QinetiQ employee partnership programme. We have developed a new approach to onboarding and induction, celebrating this new connection with QinetiQ. We communicate and listen to our people through many channels such as roadshows and monthly business reviews. We introduced the 'Global Portal' intranet platform in FY18, enabling greater digital connectivity across the Group. We value this continuous dialogue and feedback to shape our business focus which enables our people to understand QinetiQ's strategy, performance and priorities and how their contribution forms part of our overall success. We obtain regular feedback through a range of channels, including engagement surveys. At the end of FY18 we had a 72% response rate to the engagement survey and a score of 592 which is slightly lower than last year (596). At both local and organisational levels we are developing action plans with our people to improve engagement. We will introduce a new digital engagement tool in FY19 which will capture real time feedback more regularly throughout the year so that we can understand the impact of decisions made and actions taken in the moment. The UK Employee Engagement Group (EEG) is an independent consultative forum which acts as an employee voice. This year the EEG have been instrumental in developing our Rewarding for Performance framework and ensuring effective and fair implementation of organisational change. During FY18 there was engagement



QinetiQ Early Careers Live!
Over two days we challenged 130 apprentices and graduates with a range of creative exercises culminating in presenting to a key customer. The event provided an innovative and challenging environment and the level of stretch that our early careers population are demanding in a career with us and what we need from them.

Early careers

	FY18	FY17	FY16
Apprentices ¹	129	146	150
Graduates	109	106	135
Sponsored students	11	10	25
% UK workforce	4.8%	4.9%	5.7%

¹ This number does not include the 21 apprentices who are not part of the early careers community, 14 of whom are undertaking the Systems Engineering Masters Apprentices Programme.



Gender diversity

	Female	Male
Board Directors ¹	2 (22%)	7 (78%)
Senior Managers ²	44 (15%)	248 (85%)
All Employees ³	1,207 (21%)	4,564 (79%)

¹ For more information on Board diversity see page 59.

² Excluding senior managers who are also Board Directors (CEO and CFO).

³ Excluding senior managers.

between the Chair of the Remuneration Committee and the EEG Chair to ensure the Board are informed about employee views.

Creating a diverse and inclusive environment for innovation

We believe that creating diverse teams and an inclusive environment is fundamental to creating an innovative, collaborative and high-performing international company. In FY18, we revitalised our Equality, Diversity and Inclusion (ED&I) programme with a focus on training and we have worked with key groups (such as resourcing and project managers) to raise awareness of unconscious bias. We have reviewed and improved key policies and we continue to focus on attracting women into STEM careers (see page 35). In FY19 we will be building cultural awareness within regions to support our international growth agenda and expanding our training in ED&I. Our commitment to mentoring, 'fair treatment advisors' and progressive initiatives such as increased parental leave in Australia ensure that diversity of people and thought is central to our strategies. We continue to monitor our gender balance at senior leadership across the Group and the breakdown of employees by gender as at the end of March 2018 is shown in the table. We published our Gender Pay Gap in FY18 and the full report can be found on our website. Gender pay is entirely different to equal pay, as it does not show differences in rates of pay for comparable jobs. When we look at the salaries we pay men and women, the difference in mean and median pay is due primarily to our employee profile; more men being in senior, higher paid roles. Our mean gender pay gap at April 2017 was 17%. We are committed to reducing this gap; and will be focusing on this in our reward and talent processes. However we know gender is just one aspect of diversity and our programme goal is inclusion for all. For example through participation in the Social Mobility Index, Movement to Work (see page 35) and our membership of The 5% Club.

Rewarding and recognising our people

Creating transparency of our reward offering was delivered this year by total reward statements for all employees. FY19 will see the introduction of an all employee incentive scheme as the central part of our Rewarding for Performance framework, which recognises sustained contribution and performance. In July 2017, we held a gala dinner bringing together people across the Company to recognise and celebrate their exceptional achievements. There were individual and team awards that recognised the performance, values, capabilities and qualities shown by our people, that are central to our future success.

Developing our people

Underpinning our growth are the capabilities of our people; to deliver world-class solutions. Our Academy provides technical, business and leadership development training solutions to ensure our people are able to develop throughout their career. We have invested significantly in our leaders and managers, recognising the role they play and this will continue to be a priority in FY19. By March 2019, 800 managers will have completed the Management Development Programme. We are building a Group wide talent and succession plans for leaders and technical roles to ensure that capability and competencies for growth are specifically addressed within our strategy. These plans will be implemented by the end of FY19. The new Early Careers team was launched in December 2017, with a successful event for graduates and apprentices – QinetiQ Early Careers Live! In addition we are planning our future pipeline needs and exploring Degree Level apprenticeships (Level 6). We are a founding member of The 5% Club, which aims to increase employment and career prospects and equip the UK with the skilled workforce it needs. Members of the campaign commit to publishing the number of employees on apprenticeships, graduate programmes and sponsored students (see table and also page 19).

CORPORATE RESPONSIBILITY

OUR VALUES SUPPORT OUR STRATEGY FOR GROWTH

How we do business, in line with our values of integrity, collaboration and performance, underpins our business strategy and ensures we maintain trust with our stakeholders

Business ethics – doing business the right way

We strive to create an environment in which people feel able to 'speak up' and so we provide a number of routes for employees to seek help or raise concerns. Our people are encouraged to talk to a manager, use our ethics email advice service and our independently-run 24/7 confidential reporting line. We have provided prompt help and advice in response to all queries received via our ethics email services and all communication through the confidential reporting line is appropriately investigated. We provide advice and guidance on our ethical standards for employees via our Code of Conduct and our annual business ethics training, which is required for all employees, managers, leaders and our Board. We have introduced a new Supplier Code of Conduct, which clearly articulates our expectations. Our Ethics programme is overseen by our Business Ethics Committee, chaired by our Chief Ethics Officer (the Company Secretary and Group General Counsel). We are active participants in the ethics forum hosted by our trade association ADS, where members can share best practice on ethics, human rights and anti-bribery.

Anti-bribery and corruption

In line with our zero-tolerance approach to bribery and corruption we have robust anti-bribery policy and procedures in place, overseen by our Chief Ethics Officer, which are regularly reviewed against changing regulations and industry guidance. Anti-bribery risks are assessed in our business relationships and we use both in-house expertise and third party due diligence providers as part of this process. Anti-bribery training forms part of our mandatory business ethics training for all employees, and, additionally, we provide face-to-face training for higher risk roles.

Human rights

We seek to anticipate, prevent and mitigate potential negative human rights impacts through our policy and processes, which underpin our commitment to responsible business practices. For example, we address salient human rights issues through our Code of Conduct, trading policy, international business risk management process and export controls process. We monitor the application of these policies and procedures through our business assurance processes. We believe that this integrated approach is effective. As part of our ongoing programme to address modern slavery, we continue to provide training, and review our approach to risk in the supply chain and our new supplier code of conduct will help ensure clarity of requirements on human rights. Our modern slavery and human trafficking statement is published on our website.

Environmental stewardship and use of resources

As part of the overall Health, Safety and Environment Strategy we are working together to deliver for our customers while protecting and sustaining our environment. By engaging with others, including our customers, we will continue to embed our commitment to stewardship across our Company. Underpinning our approach is our ISO 14001 certification and in the UK we completed our transition to the new standard in June 2017. Our Environmental Working Group meets quarterly to discuss progress on waste management, energy use, conservation and any environmental incidents. We have recently reviewed our Integrated Rural Management Plans on four key sites which we manage on behalf of the MOD, to ensure that we are able to manage complex trials on sites which have conservation designations. We share progress with employees using our Global Portal, for example during 'Environment Week' in 2017. We continue to be active members of the MOD-Industry Sustainable Procurement Working Group, ensuring we are actively contributing to the sustainability agenda.



Adding diversity to Dorset's heathland

We have been participating in 'Back from the Brink', a Heritage Lottery Funded Conservation project, aiming to save 20 species from extinction. The Site of Special Scientific Interest (SSSI) at our Hurn site (used as a vehicle test track) is benefitting from mowing, scrub clearance and scrapes, to reverse the process of invading grass, scrub and bracken, as well as expanding habitat for species requiring open ground.

Greenhouse gas emissions and energy management

Building upon last year's success of achieving certification against ISO 50001 for our Energy Management System, the Energy Matters programme continues to deliver value across the Company. We have transitioned to a flexible procurement strategy to ensure the UK business obtains the greatest value from its electricity and gas procurement. We meet regulatory reporting requirements under the Carbon Reduction Commitment Energy Efficiency Scheme in the UK, and our greenhouse emissions are voluntarily reported under the Carbon Disclosure Project Climate Change Programme.

Our Scope 1 and Scope 2 emissions have been externally verified by an independent third party, against the ISO 14064-3 standard. The verification statement can be found on our website. The FY18 Scope 1 and 2 GHG emissions have reduced by 4% (2,126 tCO₂e) against the FY17 reported emissions, resulting in a 24% (15,632 tCO₂e) reduction to date against the FY14 baseline year (our first year of GHG reporting for the Group). Our emissions intensity ratio has also improved. Emissions arising from the use of electricity continue to account for the largest portion of our footprint (48%), with jet fuel (14%), natural gas (12%), and gas oil (5%) making up the majority of the remainder. This year we recorded a significant contribution to reported emissions from refrigerants (6%) which we believe is attributable to improved data collection and reporting processes as opposed to an increase in demand for refrigerant use.

Our target of a 17% reduction in GHG emissions by 2020 from a FY14 baseline has been surpassed having achieved a 24% reduction in FY18. In FY19 we will launch a new Energy Strategy which will include a new corporate target that will be established in accordance with the science-based targets methodology. Throughout FY19 our focus will be on cascading the new corporate target into site-specific targets, underpinned by improved internal performance reports and a renewal of the Energy Management Action Plans as part of the new Energy Strategy to ensure sites have a roadmap to achieve their targets.

The Task Force on Climate-related Financial Disclosures is a global initiative which has created a framework for companies to better articulate the potential impact of climate change on their business. Since 2017, we have undertaken climate change risk assessments on three sites which we manage on behalf of the MOD, to understand what the key issues might be and we are planning further assessments in FY19. The key findings of the assessments have helped us to ensure we understand any vulnerabilities to climate change and can prioritise mitigation.

Community investment

Our STEM (Science, Technology, Engineering and Maths) outreach programme recognises the value of inspiring the next generation of scientists and engineers and contributing to current and future skills shortages in these disciplines. There is clear evidence that giving young people the opportunity to engage with business has a positive impact on their future employability and our employee volunteering programme contributes towards this goal. Our people use their professional skills to make a positive difference and our approach is to grow sustainable long-term relationships with local schools and youth groups such as cadets, near to our sites. This year our volunteers engaged with over 90 schools and approximately 6,700 young people in the UK, through activities such as inspirational STEM projects with our STEM Ambassadors, visits to our sites, mentoring, support with extra-curricular STEM and coding clubs, and careers fairs. We have also engaged with young people at events such as The Skills Show with its focus on apprenticeships.

In addition to our engagement with cadet groups we supported over 140 armed forces 'wounded, injured and sick' leavers with their employability skills, working with the Career Transition Partnership as part of our commitment to the UK Armed Forces Corporate Covenant. We recognise that STEM subjects have traditionally been seen as male dominated and so as part of our ED&I strategy we continue to focus on attracting girls into STEM careers. We support International Women in Engineering Day and in 2017, we undertook a range of events. We engaged with 170 girls from 20 different schools and published blogs and videos featuring our female engineers from across the world, telling their stories. We also undertook other outreach activities focused on girls through the year (see case study). In FY19, we will enter the Social Mobility Employer Index for the first time, and we will welcome our first Movement to Work cohort in the UK, a programme which includes work placements for young people aged 16-24 who are not in employment, education or training (NEETs).

We introduced new corporate charities, nominated by our employees, in April 2017, with an emphasis on mental and physical health, and also rolled out a new programme of local charity partnerships at over 20 of our UK sites, to recognise locally important issues. In Australia, our people completed a 96 km trek, the Legacy Australia Kokoda Challenge, raising over A\$100,000 for Legacy, and they have offered in-kind project management and engineering services for the Australian War Memorial.

Greenhouse gas emissions

	FY18	FY17	FY16
Total Scope 1¹	24,651	21,245	23,691
Total Scope 2²	25,678	31,210	36,857
Total Scope 1 and 2³	50,329	52,455	60,548
Intensity ratio⁴	60	67	80

- ¹ Emissions (tCO₂e) from fuel combustion and operation of facilities
² Emissions (tCO₂e) from purchased electricity
³ Emissions (tCO₂e)
⁴ (tCO₂e per £m of revenue)

Our Group greenhouse gas (GHG) emissions are captured to meet the requirements of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. The table above provides a summary of the Group's GHG emissions from 1 April 2016 to 31 March 2018. We have adopted a financial control approach and have used the latest emissions factors from the UK Government and the International Energy Authority.



STEM outreach

In Australia our engineers hosted an industry visit for 120 Year 11 and 12 students attending the University of New South Wales Women in Engineering Camp. The camp gives young women who are interested in engineering the opportunity to spend a week learning about the exciting possibilities that a career in engineering has to offer. The students visited our Mine Warfare Maintenance Facility at HMAS Waterhen in Sydney and met with our engineers and technicians, including female role models, who shared their experiences and real world applications in electronics design and testing and safety relating to the use of explosive ordnance.



Where to find more information

For more on community investment, our Modern slavery statement and our greenhouse gas verification statement go to: www.QinetiQ.com/about-us/corporate-responsibility