Corporate Governance

54 Corporate governance statement
56 Board of Directors
58 Governance framework
65 Compliance statement
68 Report of the Audit Committee
72 Report of the Nominations Committee
74 Report of the Risk & CSR Committee
76 Directors’ remuneration report
80 Summary Directors’ Remuneration Policy
81 Annual report on remuneration
93 Directors’ report
96 Independent auditor’s report

A live testing of our counter drone technology, Obsidian, at our site in Malvern, UK. Obsidian is specifically designed to detect, identify and track small and micro drones.
Corporate governance statement
An introduction from our Chairman

Dear Shareholder,
I am pleased to present this year’s corporate governance statement. As in previous years, this report should be read in conjunction with the section on how we have complied with the UK Corporate Governance Code on pages 65 to 67.

Supporting good governance
During my tenure as the Chairman of QinetiQ, my fellow Directors and I, have built a sound and robust corporate governance structure. This has proved invaluable during the year in progressing with the delivery of our strategy, and in testing and supporting our Executives’ decision making. Key issues considered by the Board during the year, are further described on page 59.

Preparation for the 2018 UK Corporate Governance Code
The 2018 UK Corporate Governance Code was published in July 2018, emphasising the need for boards to develop effective relationships with all stakeholders. In particular, boards are encouraged to ensure they find ways to hear the voice of employees. My fellow Directors and I have worked extensively on our approach to these important matters, to ensure that all voices – those of shareholders, employees, customers and communities – find their way to the board room. More information about how the Board considers stakeholders, including workforce engagement, can be found on pages 62 to 63.

The Board has created a clear action plan to implement the new Code and reporting requirements successfully, and we are confident that we will next year be able to report that the Company is compliant with the Corporate Governance Code and best industry practice.
Changes to the Board
I will be standing down as Chairman after the 2019 AGM. Michael Harper, as Senior Independent Director, has led a comprehensive search during the year to find my successor. This process is further outlined in the Report of the Nominations Committee on page 72. In April, my fellow Directors and I were delighted to welcome Neil Johnson to the Board. He will be working alongside me until the conclusion of the 2019 AGM. Neil’s extensive experience as a CEO and Chairman will further strengthen the Board and enhance its knowledge and capabilities.

Diversity
The Board believes in the benefits of diversity and inclusion, and strongly supports the initiatives within our business in relation to these. Further details can be found on pages 39 and 73. It is the responsibility of the Board to monitor the Company’s strategy on diversity and inclusion, and the Nominations Committee continues to keep diversity of the Board itself under close review.

Board evaluation
I will have served as Chairman for over nine years by the time I step down. The Board has faced many challenges during that time. We have used the annual evaluations of the Board and the Committees to ensure that we have been focusing on the right issues and adding value. We have also found the evaluation process to be helpful in ensuring that an open dialogue delivers good practice and establishes a culture of continuous improvement. The evaluation this year was conducted externally by Duncan Reed of Condign Board Consulting (further information can be found on page 64). I am pleased to report that the results of this year’s anonymised evaluation shows that the Board continues to operate effectively. In addition, I am satisfied that each Director makes a valuable contribution to the work of the Board, and this is outlined in more detail in the biographies of the Directors on page 56 and 57.

Strategy meeting
The strategy of the business is at the core of the Board’s thinking during the year, and in addition the Board dedicates one of its seven meetings to strategy only. Further details of this meeting can be found on page 60.

Culture
The delivery of our strategy and the success of the Company depends on a strong culture within the business, as well as benefitting the Company, our employees and other stakeholders. Culture has been one of the most important focuses of the Company throughout the year, with a number of cultural workshops taking place across the Group.

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

Mark Elliott
Non-Executive Chairman
Board of Directors

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

Committee membership key

Audit | Nominations | Remuneration | Risk & CSR | Security | Committee Chairman

Mark Elliott, Non-Executive Chairman
Independent: Upon appointment

Skills, competence and experience: Mark is responsible for leading the Board and ensuring that it operates effectively. Mark’s extensive business knowledge, experience on FTSE listed company boards, and his comprehensive international business and management experience, have been essential to his success in leading the QinetiQ Board as its Chairman.

Mark was a Non-Executive Director of G4S plc, where he also served as Senior Independent Director and Chairman of the Remuneration Committee. He was a Non-Executive Director of Reed Elsevier NV, and Reed Elsevier Group plc, where he also became Chairman of the Remuneration Committee. Mark worked for IBM for over 30 years, occupying a number of senior management positions, including General Manager of IBM EMEA, and was a member of IBM’s worldwide Management Council.

Other appointments: Chairman of Kodak Alaris Holdings Limited.

Steve Wadey, Chief Executive Officer
Independent: No

Skills, competence and experience: Steve’s proven track record of driving growth, and his in-depth experience of defence and technology industries is of essential importance and benefit to the Board and the Company. In addition, his extensive operational and corporate experience, is fundamental to his success in leading the Group’s Executive management team, and developing and implementing the Group’s strategy.

Steve is a Fellow of the Institution of Engineering and Technology, the Royal Aeronautical Society, and the Royal Academy of Engineering. He was previously Co-Chair of the UK Defence Growth Partnership, a member of the Prime Minister’s Business Advisory Group, Co-Chair of the National Defence Industries Council Research and Development Group, and a Non-Executive Director of the UK MOD Research and Development Board. Steve has held various roles with MBDA, most recently as Managing Director, MBDA UK, and Technical Director for the MBDA Group. Previously he held various roles with Matra BAe Dynamics and British Aerospace.

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

David Smith, Chief Financial Officer
Independent: No

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

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

Other appointments: Non-Executive Director of Motability Operations Group plc.

Michael Harper, Deputy Chairman and Senior Independent Non-Executive Director
Independent: Yes

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

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

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

Lynn Brubaker, Non-Executive Director
Independent: Yes

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

Lynn has held positions as Non-Executive Director of Force Protection, Inc., Seabury Group, Graham Partners, Cordern, the Nordam Group, the Flight Safety Foundation (as Chair), and as a member of the Management Advisory Council of the Federal Aviation Administration. Lynn was Vice President and General Manager of Commercial Aerospace at Honeywell International, and prior to that, she held a variety of roles in the commercial aerospace sector working for Allied Signal, the McDonnell Douglas Corporation, Republic Airlines and ComAir Airlines.

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

Admiral Sir James Burnell-Nugent, Non-Executive Director
Independent: Yes

Skills, competence and experience: Sir James brings to the Board unique senior experience from the armed forces and of contracting with government. In addition to his Board contribution of deep customer knowledge, the Company also benefits from his experience in his roles as Chair of the Risk & CSR Committee and of the Security Committee.

During a 37 year career in the Royal Navy, which culminated in his appointment as Commander-in-Chief Fleet, he commanded the aircraft carrier HMS Invincible and three other ships and submarines.

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

Other appointments: Non-Executive Chairman of Witt Limited.
Corporate Governance

Strategic report | Board of Directors

Ian Mason, Non-Executive Director
Independent: Yes

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

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

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

Appointed on 2nd April 2019

Neil Johnson, Non-Executive Director
Independent: Yes

Skills, competence and experience: Neil’s former CEO experience and current roles as a plc Chairman and Non-Executive Director from numerous international businesses, including from the defence, automotive and engineering, and aerospace industries, brings to the Board relevant knowledge, challenge and leadership.

Starting his career at Sandhurst and the Army, Neil then spent much of his early career in the automotive and engineering industries. He was worldwide Sales and Marketing Director at Jaguar before being seconded to the UK Ministry of Defence to command 4th Battalion The Royal Green Jackets. He returned to the industry with British Aerospace, initially running Land Rover and then all of its European automotive operations. Neil was later CEO of the RAC, managing the demutualisation and sale process. Since 2012 Neil has been Senior Independent Director of the Business Growth Fund. He is also a former Director General of the EEF and was a Home Office appointed Independent Member of the Metropolitan Police Authority. He was Chairman of Moatbility Operations until March 2019.

Other appointments: Chairman of Synthomer Plc (and Chair of its Nominations Committee), Centaur Media plc and Electra Private Equity plc and the Senior Independent Non-Executive Director of the Business Growth Fund. Appointments explanation on page 66.

Company Secretary

Jon Messent, Company Secretary and Group General Counsel
Independent: N/A

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

Susan Searle, Non-Executive Director
Independent: Yes

Skills, competence and experience: Susan brings to the Board essential experience of investing in growing technology businesses, acquisitions and exploitation of new technologies. She has worked in the UK and Australia with academics and entrepreneurs on the development and commercialisation of new technologies. Susan’s experience from a variety of commercial, business development and operational roles, and from serving on a variety of private company boards, enables her to provide both challenge and beneficial advice to Board discussions.

Susan was a founder of Touchstone Innovations plc, and its CEO until 2013. She has served on a variety of private company boards in engineering, healthcare and advanced materials. Susan was a Trustee of Fight for Sight, and a member of the international advisory Board of PTT. Previously, she held a variety of commercial and business development roles with Shell Chemicals, the Bank of Nova Scotia, Montech (Australia), and Signet Group plc.

Other appointments: Senior Independent and Non-Executive Director and Chair of the Remuneration Committee of both Benchmark Holdings plc and Horizon Discovery Group plc. Chair of Woodford Patient Capital Trust plc and Mercia Technologies plc (and Chair of its Nominations Committee). Appointments explanation on page 66.

Paul Murray, Non-Executive Director
Independent: Yes

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

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

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

QinetiQ Group plc  Annual Report and Accounts 2019  57
Corporate governance statement

Governance framework

This is the structure through which the Company is managed. It has evolved over time, and continues to evolve to meet the needs of the business and the Company’s stakeholders.

Boards of large companies invariably delegate day-to-day management and decision-making to Executive Management. Directors should maintain oversight of a company’s performance and ensure that management is acting in accordance with the strategy and its delegated authorities. At QinetiQ, the culture, values and standards that underpins this delegation help to ensure that when decisions are made, their wider impact has been considered. The Board has reserved certain matters (posted at www.QinetiQ.com) for its own consideration so that it can exercise judgement directly when making major decisions, and in doing so, promoting the success of the Company whilst having regard to all necessary matters. The Company’s success depends on the Board’s continual commitment to high standards of corporate governance and a strong, positive culture across the business, whilst managing effectively the risks and uncertainties of the markets in which QinetiQ operates.

Shareholders

Chairman

Responsible for the leadership of the Board and for ensuring that it operates effectively through dynamic discussions and challenge.

Board of Directors

The Board is responsible for leading the Group, by setting strategic priorities and overseeing the delivery of the strategy in a way that promotes sustainable long-term growth, whilst cultivating a balanced approach to risk within a framework of effective controls and taking into account the interests of a diverse range of stakeholders.

Audit Committee

Monitors the Group’s integrity in financial reporting and reviews the effectiveness of financial risk and management framework.

Nominations Committee

Considers the structure, size and composition of the Board and Committees and succession planning. It identifies and proposes individuals to be Directors and also for Executive Management, and establishes the criteria for any new positions.

Remuneration Committee

Determines and recommends to the Board the framework for the remuneration of the Company’s Chairman, CEO and CFO. Oversees remuneration and workforce policy.

Risk & CSR Committee

Oversees the sound operation of the Company’s risk management systems. Monitors non-financial risk exposures. Oversees corporate responsibility strategy programmes and procedures. Monitors adherence to the generic MOD compliance systems.

Security Committee

Enables UK nationals on the Board to consider matters of a UK national security dimension that have an impact on QinetiQ’s UK business.

Disclosure Committee

Established in 2016 following the requirements of the Market Abuse Regulations (MAR). The Committee comprises all Board members except for when called on short notice when it comprises the Chairman, the CEO, the CFO and any one of the Committee Chairs.

The Chief Executive Officer

Responsible for the day-to-day running of the Group’s business and performance, and the development and implementation of the Group strategy.

The Executive Committee

The interaction between the Board and the Executive Committee enables the Board to receive information first-hand about the Company and its operations and to give guidance on strategy and oversight of the business direct to senior management. The full list of the members of the Committee can be found at www.QinetiQ.com.

The Committee meets on a two-weekly basis. It is responsible for the day-to-day management of the Group’s activity, with the exception of QinetiQ North America which is managed through a Proxy Board of which further details can be found on page 60. The focus of the Committee includes managing the business, delivering the strategy, managing risk, establishing financial and operational targets and monitoring performance against those targets.
# Board activity

An insight into the year – practicing good governance

<table>
<thead>
<tr>
<th>Topic</th>
<th>Key activities</th>
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| **Strategy** | - Approved the FY20 component of the Group’s five-year Integrated Strategic Business Plan  
- Approved the Group’s overall five-year Integrated Strategic Business Plan  
- Approved an investment into Inspire Group Limited  
- Approved the acquisition of E.I.S. Aircraft Operations in Germany  
- Approved the Royal Canadian Navy UAV ISTAR contract  
- Received presentation from management in relation to business strategy and performance  
- In-depth reviews of the M&A pipeline and specific M&A opportunities  |
| **Operations and business performance oversight** | - Approved the annual budget, business plan and KPIs (further details of the KPIs can be found on pages 28 to 31)  
- Reviewed and approved the Group’s full year and half year results (including dividends), as well as its quarterly trading updates  
- Approved the Group’s Annual Report (including its fair, balanced and understandable status) and Notice of AGM  
- Received regular updates in relation to the renewal of the LTPA contract  
- Received updates of the Group’s operations in North America |
| **Internal control and risk management** | - Reviewed the Group’s risk management framework and principal risks (further details can be found on pages 32 to 36)  
- Reviewed and confirmed the Group’s Viability Statement and going concern status (further details can be found on page 37)  
- Reviewed and validated the effectiveness of the Group’s systems of internal control and risk management (further details can be found on pages 66 to 67) |
| **Leadership, people and culture** | - Continued focus on the composition, balance and effectiveness of the Board  
- Received regular updates from the Nominations Committee on the recruitment process of Neil Johnson, as Non-Executive Director, Chairman designate  
- Reviewed the key operational roles and identified gaps in experience needed to deliver the Group’s strategy  
- Considered the outcomes and approved the actions arising from the external Board evaluation process (further details of this process can be found on page 64)  
- Reviewed the Group’s people strategy, culture, vision and values, including receiving reports on cultural change throughout the business  
- Approved the Board skills matrix  
- Reviewed and approved the Non-Executive Directors’ fees  
- Held separate Non-Executive Director sessions with the Chairman after each board meeting to discuss leadership and other board matters |
| **Governance and legal** | - Received and reviewed regular updates on the corporate governance developments and legal and regulatory issues, including the 2018 Corporate Governance Code and the Companies (Miscellaneous Reporting) Regulations 2018, and approved action plans to ensure smooth transition and compliance with these  
- Approved the Group’s third annual Modern Slavery Statement for publication on the Group’s website  
- Received reports on engagement with institutional shareholders, investor and other stakeholders throughout the year. Further details of the Board’s engagement with stakeholders can be found on pages 62 to 63  
- Approved the appointment of Barclays plc to replace Bank of America Merrill Lynch as the Company’s joint corporate brokers  |
| **Brexit** | - Received regular reports on the impact of Brexit on the Group’s strategy and in-year delivery, and approved action plans where necessary in relation to Brexit |
Management and control of US subsidiaries
The US Global Products division, trading as QinetiQ North America, which contributed approximately £88m to the Group’s revenue in FY19, operates under a Proxy agreement, as detailed below, with the remainder of the US business operating outside the Proxy regime and therefore following the same reporting lines and processes as the Group’s other businesses.

US Global Products business and the Proxy agreement
QinetiQ North America is managed via Foster-Miller, Inc (FMI), a wholly-owned subsidiary of QinetiQ in the US. It has been placed under a Proxy agreement as is required by the US National Industry Security Program for main facility security clearances and to be insulated from foreign ownership, control or influence. Under the Proxy, FMI and the US Department of Defense (DoD) are parties to a Proxy agreement that regulates the management and operation of FMI. Pursuant to the Proxy, QinetiQ has appointed three US citizens who hold the requisite clearances as Proxy holders to exercise the voting rights in FMI.

In addition to their powers as Directors, the Proxy holders have power under the Proxy arrangements to exercise all prerogatives of share ownership of FMI. The Proxy holders have a fiduciary duty and agree to perform their role in the best interests of QinetiQ as shareholders (including the legitimate national security interests of the US). QinetiQ Group plc does not have any representation on the Board of FMI, and may not remove the Proxy holders other than for acts of gross negligence or willful misconduct or for breach of the Proxy agreement (and always only with the consent of the US Defence Security Service).

In terms of the power to govern, the Proxy agreement vests certain powers solely with the Proxy holders and certain powers solely with QinetiQ. By way of example, the Proxy holders cannot carry out any of the below without QinetiQ’s express approval:
- Sell or dispose of, in any manner, capital assets or the business of FMI
- Pledge, mortgage or encumber assets of FMI for purposes other than obtaining working capital or funds for capital improvements
- Merge, consolidate, reorganise or dissolve FMI
- File or make any petition under the federal bankruptcy laws, or similar law or statute of any state or any foreign country

Unlike minority interest holders with protective veto rights, QinetiQ can unilaterally require the above to be carried out and these are, therefore, considered to be significant participative features. In addition, QinetiQ can require the payment of dividends, and the pay-down of parent company loans, from FMI.

The Company maintains its involvement in FMI’s activities through normal business interaction and liaison with the Chair of the Proxy Board. QinetiQ’s CEO and/or CFO attended four meetings of the Proxy Board during the year and from time to time the Proxy holders attend meetings of the Board of Directors of the Company.

The President of FMI is a member of the Executive Committee. FMI commercial and governance activity is included in the business update provided in the regular executive report to the Board. This activity is subject to the confines of the Proxy regime to ensure that it meets the requirements that FMI must conduct its business affairs without external control or influence, and the requirements necessary to protect the US national security interest.

Board strategy meeting
The annual Board strategy meeting was conducted over two days in October 2018. The strategy meeting allows the Board to focus on debating the future direction of the business. It is also an opportunity to reflect on progress to date against the Group’s strategy and the execution of the Integrated Strategic Business Plan (ISBP).

In preparation for the day, the Board received background reading material, including:
- QinetiQ’s trading environment
- Strategic progress
- Transformation / Enabling projects
- Strategically relevant investment options
- Summary of the Group’s strategic context
- People strategy, including diversity and inclusion
- M&A pipeline

The meeting topics were mainly presented by senior members of the management team and other members of staff working with strategy matters. This led to insightful and productive discussions on reviewing the business, the Company’s strategic goals and its approach going forward. The discussions considered strategic initiatives and more challenging potential business ideas over a five-year horizon.

Following the strategy meeting, insights and ideas generated were further discussed at the Board’s meetings in November, January and March, and refined for incorporation into the latest edition of the ISBP.

The importance of the strategy meeting lies in the opportunity for the Board to evaluate its strategic goals and to explore new themes and ideas in a conducive environment with senior leaders from across the business. A recent introduction of a ‘vignette’ approach to strategy discussions has proven to be a successful way of ensuring that sufficient focus is spent on the details while still keeping the bigger picture in view.

The discussions considered strategic initiatives and more challenging potential business ideas over a five-year horizon.”
Visiting the business – Meeting our people

During FY19 the Board held three of its seven meetings at operational locations, enabling the Board to see first-hand how our operations are run and, importantly, engage with local teams at all levels. These are invaluable opportunities for the Board to experience the day-to-day work of the business and to gain a real insight into the Company’s culture and values of the business in an operational setting, outside of the board room. All other board meetings were held at the London office.

Farnborough, UK – meeting with the Employment Engagement Group (EEG) and getting first-hand insight into QinetiQ’s Internal Research & Development (IRAD)

In January 2019 the Board conducted a two-day meeting at QinetiQ’s head office and technical facilities in Farnborough. During its visit, the Board was able to meet members of the Employee Engagement Group (EEG) informally over lunch. Further information about the EEG can be found on page 39. The Board also visited the Farnborough Academy Talent Centre. Finally, the Board took part in a walking tour of the Research & Development facilities (R&D), which was conducted and presented by the Group Director of Research, Experimentation & Innovation. The tour and presentation provided the Board with the opportunity to discuss and interact with the teams responsible for IRAD and also gave the Directors key highlights and insights into the risks and challenges they face.

“It is of fundamental importance for the Board that it gets a full and comprehensive understanding of the Company’s IRAD developments. The Board greatly benefitted from the well prepared pre-reading materials, presentation and tour of the IRAD facilities.”

Mark Elliott, Chairman

Visiting QinetiQ North America – Waltham, US

The Board and Committee meetings in March 2019 were held at QinetiQ North America’s (QNA) head office in Waltham, Massachusetts in the United States.

The Board had the opportunity to tour the site and receive presentations from the local management on the key challenges facing the US business. The Board also spent time with employees, gaining valuable feedback on how QinetiQ’s culture and values are operating at a local level.

“I found the walking tour in particular an excellent opportunity for the Board to gain an in-depth review of the QNA business and an understanding of the wider context on how QNA operates within the Group and the Group’s strategy as a whole.”

Susan Searle, Non-Executive Director

Visiting QinetiQ Target Systems in Ashford, Kent, UK

Based in Ashford, Kent, QinetiQ Target Systems (QTS), is a world-leading provider of unmanned air, land and surface vehicle targets for live-fire training and weapon system test and evaluation. In 2018, the Board held its September meeting at the QTS site, giving the Board the opportunity to visit the QTS site production facility. The visit, which was scheduled over two days, included a walking tour of the site, an opportunity for the Board to meet and liaise with the engineering and development teams, and receive a presentation from the management team.

“The visit to QTS brought alive how QinetiQ’s culture and values are being integrated at local level.”

Admiral Sir James Burnell-Nugent, Non-Executive Director
Stakeholder engagement

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

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

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<th>Topic</th>
<th>Key activities</th>
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| Workforce engagement   | One of the focuses of the new Code is the Board’s engagement with the Company’s workforce, as outlined in Provision 5 of the 2018 Corporate Governance Code. The Board recognises that achieving the Company’s strategy depends on the people of our business. During the year the Board has sought to find the most efficient and beneficial solution for QinetiQ, also supporting compliance with the Code. Following discussions during the year, the Board’s has concluded on the following approach:  
  The Chairman will effectively act as a Non-Executive Director designated to workforce engagement. As part of this role he will join at least two meetings a year with the Employee Engagement Group (EEG), which is a consultative forum that acts as the collective voice of all UK-based QinetiQ employees. In addition, the Senior Independent Director will join one EEG meeting a year to support appropriate engagement on Executive Director remuneration, as required by the Code, and at least half of the Non-Executive Directors will also meet the EEG each year on a rotational basis. Following these meetings the members of the Board will report back to their fellow Directors on their discussions with the EEG members.  
  During the year of reporting, the Board found visits to various Company sites (of which further information can be found on page 61, both in the UK and in the US, and involvement with the Company’s leadership community meetings (further information below), to be excellent opportunities to meet the workforce and to gain an understanding on how the Company’s culture and values are embedded within the business. The Board will continue these important visits as part of its engagement with the people of QinetiQ. By way of example, the Board is planning to visit the Company’s facilities in Australia in FY20.  
  The Leadership Community meetings are meetings for senior managers across the business, which are held four times a year. The members of the Board each attend two of these meetings annually. In addition the members of the Board are invited to and attend the annual Employee Recognition Gala. These are further opportunities for the Board to engage with employees.                                                                                                                                             |
Investor engagement

The Company places considerable importance on communications with shareholders, both institutional investors and individual shareholders. This communication helps us to understand their views on the Company and allows us to ensure that they are provided with timely and appropriate information on our strategy, performance, objectives, financing and other developments.

QinetiQ has a comprehensive investor relations programme through which the CEO, the CFO and the Group Director of Investor Relations & Communications regularly meet with the Company’s institutional investors. The Board is informed on a regular basis about the views of key shareholders including noting any concerns. In addition, the Chairman proactively offers to attend meetings with key shareholders and he met with a number of the Company’s major shareholders during the year.

The Chairman and the Chairman of the Remuneration Committee also regularly engaged with major shareholders throughout the year on the Company’s executive remuneration matters, including executive performance measures. Further details of this can be found in the report of the Remuneration Committee on pages 76 to 92.

During the year, investor roadshows, which were attended by the CEO and CFO, were held in London and Edinburgh in the UK, and Boston and New York in the US. In addition, the Board members make themselves available to meet shareholders as required. Live webcasts of results presentations were provided and telephone briefings for analysts and investors took place in conjunction with these. Two investor seminars were also held to explain in more depth key aspects of QinetiQ’s strategy.

All shareholders and potential shareholders are invited and encouraged to visit the ‘Investors’ section on our website, www.QinetiQ.com, where important information for shareholders can be found. The site also provides contact details for any investor-related queries.

The information about major shareholders can be found on page 94 and the analysis of shares held can be found on page 160.

Constructive use of the Annual General Meeting

The Board encourages all shareholders to participate in the Annual General Meeting (AGM) and to ask questions. All Directors attend the AGM and are available to answer any questions on the work of the Committees.

The 2019 AGM is scheduled to be held on 24 July at the offices of Ashurst LLP, London Fruit and Wool Exchange, 1 Duval Square, London E1 6PW. The Notice of AGM and related papers will, unless otherwise noted, be sent to shareholders at least 20 working days before the meeting. For those shareholders who have elected to receive communications electronically, notice is given of the availability of the documents in the ‘Investors’ section on the Group’s website.

Customer engagement

One of the Group’s key priorities during the year has been to foster closer relationships with customers at all levels. This helps QinetiQ provide value for money and high performance technical solutions to its customers. Customer engagement is underpinned by related, intelligent and persistent communication through a variety of means, building a position of mutual understanding and genuine trust between the Company and the customer. QinetiQ prides itself on building such relationships, taking the time to understand its customers’ strategic vision and needs in order to provide timely, effective and affordable solutions that tie into their organisational goals. Given that effective engagement is as much about attitude and behaviour as it is about delivering messages, QinetiQ’s customer engagement is affirmed by the timely delivery of programmes, and acting as a genuine, flexible and helpful partner that demonstrates the desire to address customer issues as soon as possible.

Managed by the Strategic Engagement Team, QinetiQ’s engagement matrix nominates an Executive Committee-level sponsor and business relationship lead to each customer. The sponsor and business lead engage with their nominated customer(s) as business dictates or, as a minimum, at the frequency determined by the engagement matrix to gain a full understanding of any business opportunities or issues, and to ensure consistency of the Company’s messaging. Progress and details of customer engagement are distributed to the Executive Committee and thereafter informed by the CEO to the Board.

The Board invited a significant customer to one of its Board dinners during the year. This provided the Board the opportunity to gain invaluable first hand insight into the experience of being a QinetiQ customer.

Community investment

At QinetiQ we recognise that it is important that we interact positively with the wider community and environment in which we operate. Our community investment initiatives are further described on pages 38 to 43.
Corporate governance statement
continued

Board performance evaluation
Every three years the Board carries out an external Board
effectiveness review of the Board itself and its Committees. Following
two internal reviews in 2017 and 2018, the Chairman, Mark Elliott, led
the process, with the assistance of the Company Secretary, in finding
the most appropriate independent external reviewer for the 2019
evaluation. The Chairman met with three such providers, resulting
in the engagement of Duncan Reed of Condign Board Consulting (Condign). Neither has any other connection with the Group.

The evaluation process was as follows:

1. Approach
   Meetings were held between the Chairman, the Company
   Secretary and Condign to discuss and agree the
   approach to the process.

2. Individual face-to-face meetings
   Condign conducted face-to-face interviews with all Board
   and Committee members. In addition, Condign also met
   with the Group Director Strategy and Planning, the
   interim Group Human Resources Director, FIT
   Remuneration Consultants, the Group Financial
   Controller, the Audit Partner at PwC and the
   Group Director Safety and Governance.

3. Feedback meeting
   The Chairman and the Company Secretary held
   a feedback meeting with Condign to provide their
   comments on the evaluation process.

4. Data analysis
   Condign then collated the individual responses and
   compiled a confidential and non-attributable report of its
   findings. The report was initially issued to the Chairman
   and the Company Secretary, before being submitted to
   the members of the Board.

5. Board and Committee review of outcome
   The Board and its Committees discussed the findings
   of the report and agreed a number of actions for the
   coming year, as set out in this report. The Board also
   discussed its performance generally and agreed that
   the Board had worked well together as a unit, discharged
   its duties and responsibilities effectively, and worked
effectively with the Board Committees during the year.

Progress against prior year’s review

<table>
<thead>
<tr>
<th>Key findings</th>
<th>Action taken</th>
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</table>
| Succession planning – focus on skills necessary for implementing the strategy | The Nominations Committee has extensively
discussed this topic during the year. A detailed
report from the Nominations Committee, including
the latest changes to the Board and succession
plans for FY20 can be found on pages 72 to 73. |
| Focus on operational effectiveness and supporting management’s implementation of strategy | The annual strategy meeting is of particular benefit
to the Board. Further details of this meeting can
be found on page 60. |

Key findings Action taken

| Leverage the Board’s collective experience | The Board focused on using its distinctive strengths,
collaborative working style, diversity, experience
and maturity to support management in the most
effective way. |
| People and culture – focus on challenging, supporting and evolving this area. | The Board considered the importance of the
leadership role it plays in influencing and monitoring
the Company’s culture, in setting the standards of
good behaviour that align with our values, and how to
reinforce these formally in the board room and how
to best support management to embed our values,
beliefs and behaviours throughout the organisation.
The Board was assisted in its discussions by the
Interim Group Human Resources Director. |

Priorities for the coming year

- Enhanced focus on matters that will be transformative in relation
to results and performance and with applicability beyond individual
countries, projects, companies or sites
- Agree key issues and any new priorities for the Board mandate
for the upcoming year
- Cultural discussions – ensure a greater emphasis on experiences
and examples to support the Board’s debate
- Extend the programme of guests at the Board with the aim of
gaining further understanding of stakeholders and competitors

The Board effectiveness review concluded that it was clear the Board
was seen to be effective, engaging and helpful to the organisation.
It became apparent during the effectiveness review process that
the Chairman himself (further to his retirement at the July 2019 AGM)
will be missed for his insight, personal qualities and commitment.

The Chairman-elect will inherit an increasingly experienced top team,
and a stable Board, who between them are effectively deploying the
Company’s stated strategy.

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

The Chairman’s individual performance

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

The Directors’ individual performances

The Chairman held performance meetings with each Board member
to discuss their individual contribution and performance over the year,
and their future training and development needs. Following these
meetings, the Chairman confirmed to the Nominations Committee
that each Director demonstrated commitment to the role, that their
performance continued to be effective, and that they have sufficient
time available to perform their duties.
Throughout the year QinetiQ has applied the principles and been compliant with the provisions set out in the UK Corporate Governance Code (the Code), published on 27 April 2016, which is available at www.frc.gov.uk

A. Leadership

A.1 The Role of the Board
The Board of Directors represents the interests of QinetiQ and its shareholders. The Board has ensured that there is a framework of prudent and effective controls which enable risk to be assessed and managed, along with key policies and procedures, and for the business to implement strategy and monitor operational performance through the Board’s direction and advice.

The Board has a formal schedule of matters specifically reserved for its decision which can be seen at www.QinetiQ.com. Following the introduction of the 2018 Corporate Governance Code, the Board has reviewed and updated the schedule of matters reserved and limitations of authority to ensure they remain appropriate. The Board has adopted procedures relating to the conduct of the business including the timely provision of information, and the Company Secretary is responsible for ensuring that these are observed.

The Board has seven scheduled meetings throughout the year, which are held over two days. Details of the Directors’ attendance can be found in the table below. Additional Board sub-Committee meetings and conference calls are held between the scheduled meetings as required. Non-Executive Directors are encouraged to communicate directly with Executive Directors and senior management between Board meetings via the Executive Directors and the Company Secretary.

The Chairman meets with the Non-Executive Directors, without Executives present, after each Board meeting. The Non-Executive Directors, led by the Senior Independent Director, meet with the Directors at least once a year without the Chairman being present, to evaluate the Chairman’s performance. Further details of this can be found on page 64.

A.2 Division of responsibilities
The roles of the Chairman and CEO are separate, clearly established, set out in writing, and agreed by the Board. The Chairman is responsible for the operation of the Board and the CEO is responsible for leading and managing the business within the authorities delegated by the Board.

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A.3 The Chairman
The Chairman, working with the Company Secretary, sets the agenda for the board meetings and encourages an open and constructive debate. On appointment as Chairman in March 2010, Mark Elliott met the independence criteria as set out in the Code.

A.4 The Non-Executive Directors
Non-Executive Directors are appointed for an initial term of three years, subject to annual re-election in accordance with the Code. The Board undertakes an annual review of the independence of the Non-Executive Directors.

The Non-Executive Directors bring independent judgement on key issues affecting the Group and its business operations, including strategy, performance, resources and standards of conduct. They provide constructive challenge to management and help develop proposals on strategy.

A.4.1 Senior Independent Director
Michael Harper is Senior Independent Director and Deputy Chairman. In this role, Michael provides advice and additional support and experience to the Chairman as required, and is available to act as an intermediary for the other Directors if necessary. He is also available to address shareholders’ concerns should it occur that these have not been resolved through the normal channels of communication with the Chairman, CEO or other Executive Directors.

B. Effectiveness

B.1 Composition of the Board
The Board considers that, throughout the year, at least half of the Board, excluding the Chairman, comprised independent Non-Executive Directors and that the composition of the Board had the requisite balance of skills, experience, challenge and judgement appropriate for the requirements of the business and full Board effectiveness.

The skills and experience of the Board’s individual members, particularly in the areas of UK defence and security, the commercialisation of innovative technologies, corporate finance and governance, international markets and risk management, have brought both support and challenge to the CEO, CFO and management team during the year. Full biographical details of all the Directors appear on pages 56 to 57.
B.2 Board Appointments
The Nominations Committee oversees appointments to the Board. Further details of the role of the Nominations Committee and its activities during the year, including the details of the process of the appointment of Neil Johnson, can be found on page 72.

Disclosures on diversity can be found on pages 39 and 73.

B.3 Time commitment
Each Non-Executive Director must be able to devote sufficient time to their role as a member of the Board in order to discharge his or her responsibilities effectively. Prior to undertaking an additional external role or appointment, the Directors are asked to confirm that they will continue to have sufficient time to fulfil their commitments to the Company.

The Chairman is conscious that some shareholders have concerns regarding Directors taking on too many non-executive roles. Consequently, he has assessed the ability to meet the commitments required by QinetiQ for those members of the Board who hold more than one other Board position, and he is satisfied that all Board members are able to meet the Company’s time commitment going forward. In addition to their work on the QinetiQ Board and its Committees, the members of the Board also regularly make themselves available for Board calls, sub-Committee meetings and Executive leadership events.

Susan Searle holds appointments in four other plc companies, in addition to her work with QinetiQ. However, one of these companies (Woodford Patient Capital Trust) is an investment trust and the other two FTSE250 listed companies, and that accordingly he would be able to reduce prior to his proposed appointment as Chairman and subsequently concluded that he would effectively be the Chairman of two FTSE250 listed companies, and that accordingly he would be able to give the Company the time and commitment necessary to act first as a Non-Executive Director, and subsequently as its Chairman.

At the date of this report, Neil Johnson, who was appointed a Non-Executive Director, Chairman designate, on 2 April 2019, holds three other Chairmanships. Neil has made preparations to stand down from his role as Chairman of Centaur plc on 30 June 2019. He is also the Chairman of Electra Private Equity, a former private equity firm which has returned over £2bn to shareholders in recent years and is now running off its final few investments prior to closing the fund, at which point he will also resign from this position. Neil will remain the Chairman of Synthomer Plc. In considering his appointment, the Board gave careful consideration to Neil’s other appointments, how they would reduce prior to his proposed appointment as Chairman and subsequently concluded that he would effectively be the Chairman of two FTSE250 listed companies, and that accordingly he would be able to give the Company the time and commitment necessary to act first as a Non-Executive Director, and subsequently as its Chairman.

B.4 Director training and development
The Company Secretary organises site visits and training to suit Directors’ individual requirements. This year Non-Executive Director site visits included Ashford, Malvern (Susan Searle and Mark Elliott only), and Farnborough in the UK; and Waltham, Massachusetts, in the U.S. External training was conducted by PwC, and briefings were made by the Company Secretary to the Board on corporate governance matters and regulatory changes, in particular on the new 2018 Corporate Governance Code and the Companies (Miscellaneous Reporting) Regulations 2018.

All Directors are expected to commit and take responsibility for their own development during their tenure. During the year of reporting, individual Non-Executive Directors attended various seminars and workshops covering matters such as cyber risks, diversity, remuneration trends and strategy development. In addition, the Directors are required to complete the annual business ethics training, as noted on page 41.

New Directors receive a comprehensive induction on joining the Board, which is tailored to their experience and background. David Smith, who was appointed in March 2017, successfully completed his induction during the year of reporting. Neil Johnson has recently commenced his induction, compromising site visits, meeting staff at all levels throughout the organisation, meeting with major shareholders and having access to comprehensive relevant briefing material.

B.5 Information and support
The Chairman, working in conjunction with the Company Secretary, ensures that the Board receives accurate, timely and clear information. Board papers are made available electronically, allowing sufficient time for review prior to each meeting.

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

The appointment and removal of the Company Secretary is a matter requiring Board approval.

B.6 Evaluation
The details of this year’s Board evaluation, which was carried out externally, and an update on the recommendations from the evaluation in 2018 can be found on page 64.

B.7 Re-election
All Directors stand for re-election at each AGM and any term beyond six years is subject to a rigorous review, taking into account the need for progressive refreshment of the Board.

C. Accountability
C.1 Financial and business reporting
The Board has established processes to ensure that all reports and information, which it is required to present in accordance with regulatory requirements, represent a fair, balanced and understandable assessment of the Company’s position and prospects. Details of the process for ensuring that this is the case, is set out on page 68. The Board considers that the Annual Report 2019, taken as whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company’s position, and performance, business model and strategy.

The going concern statement and viability statement are included on page 37, and a summary of the statements of Directors’ responsibilities in respect of the Annual Report and the financial statements is set out on page 95.
C.2 Risk Management and Internal Control
The Board oversees the systems of risk management and internal control through the Audit Committee (financial risk) and the Risk & CSR Committee (non-financial risk) in conjunction with the risk management and assurance processes detailed in this report. These processes are underpinned by an appropriate mix of techniques used to obtain the level of assurances required by the Board. All board members attend these Committee meetings, either as a Committee member or as a guest, so as to receive at first-hand the findings of the Committees. Matters of particular concern are escalated for presentation at board meetings.

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

The Board routinely challenges management to ensure that the systems of internal control are constantly improving in order to maintain their effectiveness. At its meeting in March 2019, the Board reviewed the effectiveness of the systems of internal control that were in operation during the year.

Further to this meeting, the Board confirms that it has carried out a robust risk assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity.

The report of the Audit Committee can be found on pages 68 to 71 and the report of the Risk & CSR Committee can be found on pages 74 to 75.

The Strategic report contains details of the Company’s principal risks and uncertainties (see pages 33 to 35), their impact on the Company and how they are managed, including the Company’s Three Lines of Defence Model (see page 32).

C.3 Audit Committee and Auditors
The Audit Committee is comprised entirely of independent Non-Executive Directors, and is chaired by Paul Murray, who continues to have recent and relevant financial experience. The Board considers the members of the Committee to be independent. In accordance with the Code, the Board concludes that the Committee as a whole possesses competence relevant to the Company’s sector, having a range of financial and commercial experience in the industry and the commercial environment in which QinetiQ operates.

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

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

A full report of the Audit Committee is set out on pages 68 to 71. The Committee’s formal terms of reference can be found at www.QinetiQ.com.

D. Remuneration
D.1 The level of components of remuneration
The principal responsibility of the Remuneration Committee is to determine and agree with the Board the overall remuneration principles and the framework for remuneration of the Executive Directors, the Company Secretary, and the other members of the Executive Committee. The report of the Remuneration Committee appears on pages 76 to 92. The terms of reference can be found on the corporate governance section of the Company’s website at www.QinetiQ.com.

D.2 Procedure
When determining policy on Executive remuneration the Remuneration Committee takes into account all factors which it deems necessary, such as:
- Relevant legal and regulatory requirements and guidance
- The provisions of the Code
- The views of principal shareholders

Individual members of the Executive Committee are not present when his or her own remuneration is being determined.

E. Relations with Shareholders
E.1 and E.2 Dialogue with Shareholders and Annual General Meeting
The Company attaches significant importance to maintaining effective engagement with shareholders to ensure a mutual understanding of objectives and to deal with any issues of concern. The Chairman and the Executives meet regularly with institutional shareholders, and views are communicated to the Board as a whole. Institutional shareholders are offered the opportunity to attend meetings with the Senior Independent Director, or may request such meetings themselves.

The responsibility for communications with shareholders rests with the Executive Directors, assisted by the Group Director, Investor Relations and Communications. The Company Secretary oversees the communications with private individual shareholders. The Board receives reports of meetings with institutional shareholders together with regular market reports and brokers’ reports which enable the Directors to understand the views of shareholders.

See page 63 for further details on the Board’s engagement with shareholders. An analysis of the shareholder register, by type of holder and by size of holding, can be found on page 160.

Further details about the AGM can be found on page 95.
Dear Shareholder,

I am pleased to present the report of the Audit Committee on the work carried out by the Committee during the last financial year. This report should be read in conjunction with the section on how we have complied with the UK Corporate Governance Code on pages 65 to 67. The Committee continues to operate on the basis of an open but challenging dialogue with management and with the internal and external auditors, and the application of an appropriate level of scrutiny.

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

Paul Murray
Audit Committee Chairman

Main responsibilities

The Audit Committee monitors the Group’s integrity in financial reporting and reviews the effectiveness of the financial risk management framework.

Activities during the year

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

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

<table>
<thead>
<tr>
<th>Areas of focus</th>
<th>Action taken by the Committee</th>
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<tbody>
<tr>
<td>Longer-term viability statement</td>
<td>The Committee scrutinised and challenged the principle underpinning the statement for FY19, and concluded that the Group will be able to continue in operation and meet its liabilities as they become due. The Committee therefore considers it appropriate that the statement covers a five-year period. The statement can be found in full on page 37.</td>
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</table>
| Financial reporting         | As a standing agenda item, the Committee focused on understanding the reasonableness of provisions and liabilities, both in terms of consistency of policy application and key judgements made by management and professional advisors. Considering the nature of the business and global market in which QinetiQ operates, comprehensive discussions were held by the Committee throughout the year where the Committee reviewed whether suitable accounting policies had been adopted, and whether management had made the appropriate estimates and judgements. In addition, support and assessment were sought from the external auditor. To facilitate this process, the Committee received presentations from the CFO and the Group Financial Controller and also received a report from the external auditor covering the key risk areas addressed during the audit, and the auditors’ view of the key judgements made by management. Specific issues addressed by the Committee for the periods ended 30 September 2018 and 31 March 2019 include the following:  
  − The basis for, and judgements made by management in determining, the liabilities recorded for onerous contracts, potential claims and other disputes. Specific items discussed include project risk re-assessments following technical successes on a major contract in the EMEA Services division (generating a one-off benefit to operating profit of £5.4m), a £5.0m charge in the year relating to redundancy costs; liabilities and accounting treatment of engine servicing obligations; liabilities and charges relating to property issues (taking into consideration the views of external advisors) and a number of other contract-related releases/charges  
  − The carrying values of the Group’s cash-generating units (CGUs). The major assumptions impacting on the net present value of future expected cash flows were also discussed. Certain discount rate assumptions and market growth forecasts are advised by external consultants  
  − Assumptions used to value the net pension asset of £259.1m (as advised by the Company’s external actuaries)  
  − The basis for recognition of US tax losses and judgements in respect of the Group’s tax reserves, including R&D expenditure credits  
  − The disclosures in the interim statement, the preliminary announcement and Annual Report and Accounts, in particular those relating to ‘specific adjusting items’, to ‘one-off’ trading items and risk. In addition, the disclosures and key accounting judgements in respect of the acquisition of QinetiQ GmbH (formerly E.I.S. Holding GmbH) in Germany and the investment into Inzpire Group Limited, were reviewed. The valuations of acquired intangible assets were undertaken by an external firm of specialists in that area  

Based upon the business assurance process and discussions with management and the external auditor, the Committee was satisfied that the accounting disclosures and assumptions were reasonable and appropriate for a business of the Group’s size and complexity, that the external auditor had fulfilled its responsibilities in scrutinising the financial statements for any material misstatements and that the disclosures were satisfactory.
Financial reporting process
The Committee regularly reviews the effectiveness of the financial risk management framework, including reviewing key financial risks and assessing the effectiveness of management's remedial action plans.

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

The internal control and risk management systems described on page 60 apply to the Company’s process of financial reporting and the preparation of consolidated accounts. The internal audit and external audit functions, and the reviews by the Audit Committee and the Board, provide a structured approach to the review and challenge of financial information and financial reporting.

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

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

The process in respect of QinetiQ North America is adjusted to take into account the Proxy agreement referred to on page 60. The executive management function has regular contact with the Chair of the Proxy Board and with US Executive management, and the Group’s internal controls have been applied as far as possible within the requirements of the Proxy regime. In addition, the Executive Directors attended meetings of the US Board during the year. The internal audit function continues to work closely with US management to gain assurance that an effective control environment is in place.

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

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

In addition, a Board Assurance Map (‘BAM’) process was commenced during the year. The BAM is based on the three lines of defence framework (set out on page 32) and addresses the following:
- It identifies and documents relevant compliance and assurance providers across the organisation
- It exposes potential gaps in compliance assurance coverage as well as any duplication of effort and identifies whether improved assurance coverage can be achieved by leveraging more of the second defence activities currently being undertaken
- It enables an objective review through each line of defence to support senior management and the Board to establish an appropriate level of assurance of a system of internal controls in the Group

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

During the year a new Group Head of Internal Audit was appointed following the retirement of the previous person in position. The Chair of the Audit Committee and the Chair of the Risk & CSR Committee were involved in determining the role specification for the position and also in the interview process of the candidates. Commencing his role in October 2019, the new Group Head of Internal Audit has been able to provide fresh perspectives to the Audit Committee.
Audit Committee effectiveness review

The evaluation of the effectiveness of the Committee was conducted alongside the Board effectiveness review and carried out by way of face-to-face interviews with Condign Board Consulting. Further details of this process can be found on page 64.

The following actions had been noted from the 2018 effectiveness review:
- Value gained from PwC’s first year as auditors
- Gaining an improved understanding of the control environment at QNA
- Focus on ensuring that the internal audit function continues to have the appropriate resources, processes and systems

These items were covered during the year under review.

The effectiveness of the Committee continued to be rated highly. It was agreed that the Committee should focus on the following areas over the coming year:
- Continued focus on the development of the internal audit function by way of extended support from the Audit Committee and the senior finance team
- Enhanced presentation time from the CFO to enable the Audit Committee to further support the finance function

External audit

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

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

The Company has a Code of Practice applicable to all employees which sets out the principles for regulating the award of non-audit work to the external auditor. The Code of Practice clearly articulates the non-audit services which are prohibited; the non-audit services which can be purchased and the key approvals that are necessary prior to the provision of non-audit work.

Pursuant to the Code of Practice, any non-audit services conducted by the external auditor require the prior consent of the CFO or the Chairman of the Audit Committee, and any services exceeding £50,000 in value require the prior consent of the Audit Committee as a whole. In addition, the Group’s policy in respect of the award of non-audit work to the Group’s auditors contains a detailed listing of prohibited services, which follows the Financial Reporting Council’s guidance. For work that is not prohibited by type, the Audit Committee will take into consideration the size of the contract in proportion to QinetiQ’s revenue and profit, and also the total size when aggregated with other contracts with PwC.

The Committee ensures that any advisory and/or consulting services provided by the external auditor do not conflict with its statutory audit responsibilities and are conducted through entirely separate working teams. Such advisory and/or consulting services generally only cover regulatory reporting, tax, and mergers and acquisitions work.

The Code of Practice enables the Committee to take corrective action if it believes that there is a risk of the external auditor’s independence being undermined through the award of such work.

It is also QinetiQ’s policy that no PwC employee may be appointed to a senior position within the QinetiQ Group without the prior approval of the CFO.

Review of non-audit work during the year

The Committee reviews the cost and nature of non-audit work undertaken by the external auditor at three meetings during the financial year as a standing item, with a fourth meeting considering the auditor’s fees as part of the year-end review.

The Committee had concluded, prior to engaging PwC for the provision of these services, that there had not been any conflict of interest that might compromise the independence of PwC’s audit work. Details of the external auditor’s remuneration can be found in note 5 on page 121.

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<thead>
<tr>
<th></th>
<th>2019</th>
<th>% of audit fee</th>
<th>2018</th>
<th>% of audit fee</th>
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<tbody>
<tr>
<td><strong>Audit fees</strong></td>
<td>£0.7</td>
<td></td>
<td>£0.6</td>
<td></td>
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<tr>
<td><strong>Non-audit</strong></td>
<td></td>
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<tr>
<td>Audit-related assurance services</td>
<td>£0.1</td>
<td>12%</td>
<td>£0.1</td>
<td>12%</td>
</tr>
<tr>
<td>All other non-audit services</td>
<td>£0.0</td>
<td>6%</td>
<td>£0.0</td>
<td>1%</td>
</tr>
<tr>
<td><strong>Total non-audit fees</strong></td>
<td>£0.1</td>
<td>18%</td>
<td>£0.1</td>
<td>13%</td>
</tr>
</tbody>
</table>

Fees related to non-audit work services amounted to £111k, including £74k for audit-related services (2018: £75k including £72k for audit-related services).
Review of the effectiveness and the independence of the external auditor
At its September meeting the Committee reviewed the results of an effectiveness survey of the previous year’s audit process, which allowed the learnings to be fed into the current year’s planning process. At its May meeting, the Committee again reviewed the effectiveness and the independence of the external auditor during the year. The members of the Committee have declared themselves satisfied with the performance of PwC as the Company’s auditor in the last financial year.

Audit appointment
PricewaterhouseCoopers LLP, as the external auditor, is engaged to conduct a statutory audit and express an opinion on the Company’s financial statements. Its audit includes the review and testing of the data which is to produce the information contained in the financial statements. PwC was appointed as auditor of the Group at the 2018 AGM following a tender process undertaken in 2017.

The current external audit engagement partner is Julian Gray, Senior Statutory Auditor, who has held his role since 2017. The time line for the mandatory appointment of a new external audit lead partner is five years. Under the EU audit reform legislation, companies are required to have a mandatory rotation of auditors after ten years, or 20 years if there is compulsory re-tender at ten years.

The Committee and the Board will be recommending PwC’s re-appointment at the 2019 AGM.

Statutory audit services compliance
The Company confirms that, during the year under review, it has complied with the provisions of the Competition and Market’s Authority’s Order on statutory audit and services, which relates to the frequency and governance of external audit tenders and the setting of a policy on the provision of non-audit services.

Employee reporting and guidance: Confidential reporting processes
QinetiQ has in place a confidential reporting process which is detailed on the Company’s intranet and its Code of Conduct Policy. If an individual does not feel that they can resolve any concerns with the Company directly through discussions with their functional manager, they can use an externally provided confidential internet and telephone reporting system. All concerns are passed by the external third party to the Group Head of Internal Audit who ensures that they are held in strict confidence and are properly investigated. Reports on confidential reporting activity and the outcome of investigations are regularly reported to the Audit Committee. The Audit Committee reviewed the effectiveness of the Group’s confidential reporting process during the year.
Dear Shareholder,

I am pleased to present the Nominations Committee report covering the Committee's key activities during the year of reporting. This report should be read in conjunction with the separate report on compliance with the UK Corporate Governance Code, which can be found on pages 65 to 67.

It has been a busy year for the Nominations Committee, overseeing the appointment process of Neil Johnson, who joined the Board in early April of this year. The process of his appointment is described further below in this report.

In FY20 the Committee will focus on implementation of the changes to the corporate governance framework, Non-Executive Directors’ succession planning, Board diversity and findings of the Board and Committee evaluation.

Mark Elliott
Nominations Committee Chairman

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Main responsibilities

- Keep under review the structure, size and composition of the Board
- Succession planning for Directors and other senior Executives
- Keep under review the leadership needs of the organisation, both Executive and Non-Executive, with a view to ensure the continued ability of the organisation to compete effectively in the marketplace
- Be responsible for identifying and nominating, for the approval of the Board, candidates to fill Board vacancies, as and when they arise
- Review annually the time required from Non-Executive Directors – the performance evaluation is used to assess whether the Non-Executive Directors are spending sufficient time to fulfil their duties

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Board succession planning

Appointment of Neil Johnson

Mark Elliott will be stepping down as Chairman at the conclusion of the 2019 AGM after just over nine years in post. In October 2018, a process was launched to identify and recruit a Non-Executive Director, Chairman designate. The candidate specification for this role was carefully prepared by the Committee as a whole, using the Board Diversity Policy, and as such ensuring that it was specific to skills and experience, appropriately neutral, and supportive of QinetiQ’s diversity and inclusion strategy. The Committee specifically considered the following qualities in its search for the new Chairman:
- A proven track record as a successful leader in international and defence-related businesses
- Broad knowledge and demonstrable expertise of operating in international businesses
- Credible relationships with relevant external stakeholders
- Strong experience of working with government and partners
- A strong track record of project delivery
- Leadership within a strong and value-based culture

A working group of the Nominations Committee, led by the Senior Independent Director, conducted an extensive and rigorous search for the new Chairman. The working group considered three potential external executive search firms, all of international standing and fully conversant with the benefits that diversity and inclusion brings. Russell Reynolds were chosen to conduct the search, and they produced a diverse list of candidates, including strong female candidates. Susan Searle and Michael Harper initially met with the candidates and, upon their recommendation, the Committee agreed on two preferred candidates. The members of the Committee individually met with both candidates. Based on merit, the Committee ultimately established Neil Johnson to be the best candidate for the position and therefore recommended him to the Board for the appointment of Non-Executive Director, Chairman designate. This meeting of the Nominations Committee was chaired by the Senior Independent Director.

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Upcoming changes to the Board

Admiral Sir James Burnett-Nugent has this year served nine years as Non-Executive Director and Chairman of the Risk & CSR Committee. Once more, Russell Reynolds, has been engaged in assisting with finding candidates with relevant Senior Crown Servant experience, equivalent to that of Sir James. The guidance from the Advisory Committee on Business Appointments (ACOBA) restricts appointments of former Senior Servants to the Crown from working in the UK defence market for two years from their last day in post. In addition, work as a consultant or advisor in the defence sector, can also not be undertaken under the same time limit. Owing to this restriction, the Committee has thus far not identified a candidate who would provide the requisite experience and be available in the near term. In light of this, Sir James has agreed to continue his role for a further year until suitable candidates have been found. In accordance with Code Provision B.1.1. of the 2016 UK Corporate Governance Code, the Board has undertaken a rigorous review, without Sir James in attendance, to determine whether he is still independent in character and judgement. Following this review, the Board was satisfied that he continues to remain independent. The Committee based its decision on its view that Sir James has been, and continues to be, excellent in his role as Non-executive Director of the Board and also in the effective way in which he chairs the Risk & CSR Committee, all of which is evidenced by the annual Board evaluations.
For FY20, the Committee will continue to focus on Board succession planning. 

Non-Executive Directors’ appointment and retirement dates

<table>
<thead>
<tr>
<th>Name</th>
<th>Appointment date</th>
<th>6-year date</th>
<th>9-year date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mark Elliott</td>
<td>1 Mar 2010</td>
<td>1 Mar 2016</td>
<td>1 Mar 2019</td>
</tr>
<tr>
<td>Admiral Sir James Burnell-Nugent</td>
<td>10 Apr 2010 (as Chair)</td>
<td>10 Apr 2016</td>
<td>10 Apr 2019*</td>
</tr>
<tr>
<td>Susan Searle</td>
<td>14 Mar 2014</td>
<td>14 Mar 2020</td>
<td>14 Mar 2023</td>
</tr>
<tr>
<td>Ian Mason</td>
<td>3 June 2014</td>
<td>3 June 2020</td>
<td>3 June 2023</td>
</tr>
<tr>
<td>Lynn Brubaker</td>
<td>27 Jan 2016</td>
<td>27 Jan 2022</td>
<td>27 Jan 2025</td>
</tr>
<tr>
<td>Neil Johnson</td>
<td>2 Apr 2019</td>
<td>2 Apr 2025</td>
<td>2 Apr 2028</td>
</tr>
</tbody>
</table>

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

Board experience and balance
The Committee annually reviews the composition of the Board and its Committees, taking the following into account:
- Diversity, including age, gender and ethnicity
- Background, professional skills and experience
- The number and balance of Executive and Non-Executive Directors
- Committee memberships
- Length of tenure
- Independence

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

Following this review the Committee is satisfied that the Board currently has an appropriate mix of skills, knowledge and experience to operate effectively. The Directors, individually, bring a range of skills gained in diverse business environments and have excellent track records obtained from working in a number of sectors. Further details about the particular skills, knowledge and experience each Director brings to the Board can be found in the Directors’ biographies on pages 56 to 57.

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

Diversity and inclusion

Board diversity policy
QinetiQ recognises the value of and welcomes the current discussions around diversity in the board rooms of UK companies. The Board Diversity Policy can be found on www.QinetiQ.com. The objective of this policy affirms the Board’s belief in the benefits of diversity and inclusion in its widest sense in the board room as well as throughout the business. The policy applies to the Board, the Executive Committee and direct reports to the Executive Committee. Additional policy is in place to address diversity and inclusion for the whole workforce.

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

Further details about the gender balance of the Executive Committee and their direct reports can be found in ‘Our People’ section on page 39.

Objectives and progress
As at the date of this Annual Report the Board comprises 20% women, which is a smaller number than the Board aspires towards. This number will change to 22% when Mark Elliott steps down from the Board at the conclusion of the 2019 AGM.

The Board is committed to progress against the targets, both in relation to gender and ethnic diversity, as set out in the Board Diversity Policy. The Company’s mandatory requirement for a diverse candidate pool ensures that we continue to have the opportunity to recruit candidates from all gender, cultural and ethnical backgrounds. When drawing up selection criteria for a Board recruitment process the Committee will have regard to diversity in its widest sense, but will remained focused on recruiting the best candidate for any role based on merit. The recruitment process for Neil Johnson, as described on the previous page, is an example how the Board Diversity Policy was applied in practice.

Page 39 describes the progress of our Diversity and Inclusion Programme, including progress against the Board Diversity Policy in connection to the Executive Committee and its direct reports. Diversity and Inclusion in relation to the other employees of QinetiQ are covered by other policies and procedures of the Company. Succession plans are continually being reviewed in light of opportunities to develop high calibre employees and improve diversity.

Effectiveness of the Committee
The effectiveness of the Committee is monitored and assessed regularly by Mark Elliott, as the Chairman of the Committee and Chairman of the Board, and as part of the board performance evaluation. The overall outcome of the external FY19 review (further details of this process can be found on page 64) of the Committee was positive, and in particular it was noted that the Committee would be increasingly busy and it would be beneficial for the Committee to continue to use a sub-Committee for succession activities as had been done during the most recent recruitment process to the Board.
Dear Shareholder,

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

The review of the Group Risk Register, which is described further on pages 33 to 35, continues to be fundamental for the Committee to undertake its duties. This year the Committee spent further time, in conjunction with the Executive Committee, on ensuring that the Group Risk Register remains relevant and accurate. ‘Red’ risks are made the subject of a report to the Committee or become the subject of a deep-dive review as part of the Company’s risk management processes.

At QinetiQ we realise that our business has an impact on the communities and environment in which we operate. The Committee and the Board recognise the importance of leading a responsible and sustainable company and was pleased to receive reports from the Group Director Corporate Responsibility during the year, covering areas such as environment, business ethics and code of conduct, emerging reputational risk, diversity and inclusion, stakeholder engagement, trading policy and Modern Slavery Act reporting. You can read more about all of the above in the ‘Our people’ section on pages 38 to 43.

Details of risk management and internal control processes and the Company’s principal risks and uncertainties can be found on pages 66 to 67 and 33 to 35, respectively. In addition, further details about internal controls and financial risks, can be found in the Report of the Audit Committee on pages 68 to 71.

This report should be read in conjunction with the section on compliance with the UK Corporate Governance Code, which can be found on pages 65 to 67.

Admiral Sir James Burnell-Nugent  
Risk & CSR Committee Chairman

The sampling approach of risk, by way of deep-dives, relating to certain sites and projects, was successfully used by the Committee as a way to ensure it kept focus on details while keeping the bigger picture still in view.”
**Good governance supporting the Group’s risk management activities**

During the year the Committee met on four occasions. All the members of the Board attend the Committee meetings as a Committee member. In addition, the Group Director, Safety and Governance and the Group Head of Internal Audit are invited to attend each meeting. Other senior staff members, such as the Group Head of Enterprise Risk Management and the Group Head of International Governance, are also invited to attend when required. The Group Director, Safety and Governance presents to the Committee twice each year. To enable the Committee to get a comprehensive understanding of how risk management processes have been implemented and to ensure that these are fully embedded within the business’ day-to-day work, deep-dives are presented to the Committee by employees who have first-hand knowledge of such matters, i.e. perform the work on a daily basis.

Risk reporting is incorporated into the management of the business through the Executive Committee and monthly performance reviews feeds into the Group strategy at the Executive and Board level.

**Key activities undertaken by the Committee during the year**

<table>
<thead>
<tr>
<th>Risk management</th>
</tr>
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<tbody>
<tr>
<td>Review risk management structures and reporting lines (i.e. effectiveness of control environment)</td>
</tr>
<tr>
<td>Effectiveness of risk reporting processes</td>
</tr>
<tr>
<td>Review effectiveness of risk identification processes</td>
</tr>
<tr>
<td>Consideration of external auditor recommendations relating to risk management</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Risk monitoring</th>
</tr>
</thead>
<tbody>
<tr>
<td>Review of risk register and key exposures</td>
</tr>
<tr>
<td>Health, Safety &amp; Environmental Performance</td>
</tr>
<tr>
<td>Internal Audit reports</td>
</tr>
<tr>
<td>International business governance</td>
</tr>
<tr>
<td>Anti-bribery and corruption</td>
</tr>
<tr>
<td>Cyber &amp; Security</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Corporate responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Modern Slavery Act</td>
</tr>
<tr>
<td>Corporate Responsibility Programme and focus</td>
</tr>
<tr>
<td>Ethics training</td>
</tr>
<tr>
<td>People (culture, recruitment, retention and equality, diversity &amp; inclusion)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Deep-dives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diving – QinetiQ Haslar Marine Technology Park</td>
</tr>
<tr>
<td>Aerial targets at QinetiQ Hebrides and Aberporth Ranges</td>
</tr>
<tr>
<td>Non-ionising radiation – QinetiQ Portsdown Technology Park</td>
</tr>
<tr>
<td>Group property high hazard maintenance – QinetiQ Farnborough</td>
</tr>
</tbody>
</table>

**Self-certification process**

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

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

**Generic MOD compliance system**

A key aspect of the Committee’s work is the oversight of the UK Ministry of Defence’s (MOD) generic compliance system. This is integral to the work of QinetiQ in its relationship with the UK Government.

The system is designed to give the MOD customer confidence that QinetiQ is able to provide impartial advice during any competitive evaluation of a procurement opportunity where the Group wishes to operate on both the ‘buy’ and the ‘supply’ sides. The aim is to achieve a balance between meeting the needs of the procurement customers in the MOD (principally Defence Equipment & Support) and the need to allow QinetiQ the flexibility to commercialise research into the supply chain and pursue its planned business activities, without compromising the defence or security interests of the UK. The Board nominates two senior executives to act as Compliance Implementation Director ‘CID’ and Compliance Audit Director ‘CAD’.

During FY19 the CID role was held by the Group Director, Safety and Governance. The CAD role was held by the Company Secretary. In FY20, the CID role transferred to the Group Commercial Director.

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

**Effectiveness review**

The evaluation of the effectiveness of the Committee during FY19 was conducted externally, by way of an interview processes carried out by Condirn Board Consulting (further details of the review process can be found on page 64).

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

- A focused session on the risk attached to strategy to be planned for FY20

**Report of the Security Committee**

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

**Membership and attendance during the year**

The Security Committee is chaired by Admiral Sir James Burnett-Nugent and the other Committee members during the year were Michael Harper, Ian Mason, Paul Murray, Susan Searle, David Smith and Steve Wadye. Neil Johnson has also joined the Committee upon his appointment as Non-Executive Director on 2 April 2019.

**Main responsibilities**

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