

Our people

Engaged in high-performing teams

We are committed to a safe, inclusive, secure and ethical working environment where all our people have the opportunity to contribute to our success. Our approach, focusing on development and behaviours, is enabling talented teams to feel engaged and recognised in delivering our mission across the world, for all of our customers.

Focused on safety, health and wellbeing for our people

Our safety focus this year has been our 'Safe for Life' programme. We have undertaken safety culture surveys across our sites to listen to how our people feel about and perceive safety. This feedback is driving local plans, identifying a range of commitments to improve safety and health. Leadership is integral to strengthening our safety culture and one-day 'Leaders Talk Safety' events were held to support our leaders to think about how they contribute towards our safety culture (our leaders also have a collective safety objective each year). We have created a 'Learning Together' framework for managers to use with their teams to support employee engagement and safety performance. The Company was served with an Improvement Notice by the Health and Safety Executive during FY19 regarding risk assessment deficiencies. Remedial action has been implemented accordingly. The FY19 Lost Time Incident (LTI) rate for QinetiQ Group was 4.4 compared with 4.0 in FY18.

Safety metrics

	FY19	FY18	FY17
Lost time incident (LTI) rate ¹	4.4	4.0	5.7

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

We have introduced a new wellbeing framework as part of Safe for Life, and our goal is to help all of our people reach their potential by enabling them to have a healthy physical and mental balance at work. Whilst we provide access to services, information and training, we also ran campaigns on mental health and 'wellbeing breakfasts', to signpost the importance of good mental and physical health and the support available. We recently appointed 65 mental health first aiders with the support of an expert provider and will be training our first cohort in early FY20.

Creating our high performance culture

We are committed to developing the right environment where all our people can perform at their best and feel motivated, recognised and proud of what they do. Our performance culture enables all of our people to do the right thing, deliver on commitments and be inspired to deliver innovative solutions, contributing to overall Company performance, with personal accountability. In FY19, using feedback from our people and building on our values of integrity, collaboration

and performance, we developed new cultural behaviours: listen, focus and keep my promises, to support customer focus and high performing teams. The behaviours have been embedded via culture workshops, in our leadership and management development programmes, corporate on-boarding and in all communications activity. Our values and cultural behaviours underpin who we are and how we do things in QinetiQ.

Employee engagement: listening to our people

We regularly communicate with our people, through townhalls, our intranet campaigns and bi-annual Employee Roadshows (delivered by our Executive Committee), so we can ensure that our people across the Group understand our strategic priorities, know how they can contribute and are supported to deliver our goals. Feedback from the Roadshows has shown that employees are significantly more positive about the future and understand how they can personally contribute.

Feedback from Employee Roadshows



Key

- I enjoyed the roadshow presentation
- As a result of the roadshow I understand our future direction
- I am confident about the future
- I understand how I can contribute to our success

Employee engagement forms an integral part of our strategy and is a key non-financial KPI. In FY19 we invested in Peakon, an innovative new employee engagement platform, to enable us to build high performance and a better understanding of how to ensure that QinetiQ is a great place to work. The tool is designed to capture feedback throughout the year, providing information directly to a dashboard for each manager, so that they know what is working well and what can be improved. All employees (excluding QinetiQ North America, who use an alternative survey) have had the opportunity to provide feedback and we have an organisation level 'Engagement in Action' plan to address Company-wide themes, with action also being taken at a local level. We plan to roll out Peakon to QNA in FY20. It is early days, but employees have already participated in two surveys, resulting in scores of 6.3 and then 6.5 (out of 10) with a participation rate in the second survey of 81%. There is more work to be done to



Wellbeing breakfasts

Between January and March 2019, wellbeing breakfasts were held across the Company to encourage our people to take an hour or two out of their busy day to think about how to make positive lifestyle choices for both physical and mental wellbeing. There was an opportunity to talk, build friendships and support networks, and to find out about the support and tools available through QinetiQ as well as local services. 18 sites participated with 1,192 attendees and we had really positive feedback.



Where to find more information

Page 28
Non-financial KPIs

Page 35
Principal risks and uncertainties:
recruitment and retention



www.QinetiQ.com/about-us/corporate-responsibility



Our unique learning environment – inspiring innovation and wellbeing

Our exciting learning environment, opened in FY19, creates new ways of collaborating, testing preconceived perceptions. It showcases what different ‘spaces’ can provide to stimulate enhanced learning, performance, innovation and wellbeing. We are working with areas of the business such as test aircrew training, to connect resources and provide a place for fresh thinking to drive innovation, deliver exceptional results for our customers and grow our business. Creative environments can also inspire people to collaborate; traditional resources such as blackboards are blended with more creative tools such as craft areas and puzzles, to support challenge based thinking. The facility also has areas for quiet reflection, recognising different learning styles and supporting our drive for greater inclusion and wellbeing. The facility uses virtual reality to provide enhanced learning experiences and enabling collaboration internationally.

increase engagement and Peakon will give us feedback in real time to target areas to improve. We also monitor voluntary employee turnover and, in the 12 months to March 2019, this figure stood at 11.5 % (compared with 10.0% in FY18).

A Head of Employee Relations has been appointed, who is working in partnership with the Chair of the UK Employee Engagement Group (EEG) to ensure that the voice of our people is heard and they are involved in decisions that affect them. The EEG meets regularly with the Board, CEO and members of the Executive Committee and EEG representatives have been actively involved in our continuous improvement projects. The EEG Chair and Deputy Chair have been made members of our Leadership Community, ensuring they are engaged in the key strategic aspects of QinetiQ.

Creating a diverse and inclusive environment for innovation

A diverse and inclusive culture supports our people to be their best and is key enabler for innovation, core to our business strategy. In FY19 we have made progress with our diversity and inclusion (D&I) programme, and have now developed our “Inclusion 2025” strategy, which will support and drive sustainable change. Highlights during the year include:

- In Australia we were granted the Employer of Choice for Gender Equality citation by the Workplace Gender Equality Agency.
- Launch of mandatory training for all our people, targeted training for key roles (for example a D&I workshop for our marketing and communications function) and a new library of resources on our online learning zone.
- Company-wide awareness campaigns, e.g. mental health and International Women in Engineering Day (INWED) and sponsorship of the ‘Innovation’ category of the Women in Defence Awards. We have also run awareness sessions for our Leadership teams, and international ‘lunch and learn’ sessions.
- Launch of new networks for our people, including Neurodiversity and a new LGBTQ+ (Lesbian, Gay, Bisexual, Trans and Questioning) network launched during LGBT history month.
- Our first year participating in the Social Mobility Employer Index, which has enabled us to understand where we could improve inclusion from all social backgrounds.
- Developing a new ‘reverse mentoring’ programme which we plan to launch in FY20.

Reviewing best practice, and our existing employee support networks (e.g. the EEG), we have created ‘Ethics Champions’ (see page 41) which include key aspects of the role of a ‘fair treatment advisor’, which have a broader remit. We have benefitted from sharing best practice via our global membership of The Employers Network for Equality and Inclusion and engaging with like-minded businesses.

The table below shows the gender split for different level of seniority in our business. We have participated in the annual Hampton-Alexander programme, and have published our second gender pay gap report (which can be found on our website).

Gender diversity

	Female	Male
Board Directors¹	2 (20%)	8 (80%)
Senior managers²	52 (17% ³)	248 (83%)
All employees⁴	1,207 (21%)	4,552 (79%)

¹ For more information on Board diversity see page 73.

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

³ Up from 15% in FY18.

⁴ Excluding senior managers.

Developing our people: learning and talent management

We invest in our people, from our early careers programme to senior managers looking to develop their skills and further their careers, and we continue to focus on our performance management approach.

In FY19 we developed new overarching career frameworks which comprise three elements: a competency framework, a career framework and career pathways. A dedicated Talent team was formed at the end of FY19 to increase our focus. We also collaborate with the UK Defence Growth Partnership (DGP) and Defence Suppliers Forum, developing apprenticeships and addressing attraction.

Our talent approach reviews and identifies talent across the company and our Academy provides technical, business and leadership development to ensure our people are able to develop throughout their career. More generally all of our employees receive training on safety, security, ethics, D&I and environment, including newly created digital content. During FY19 we focused on succession planning for senior leadership to ensure a robust internal talent pipeline.

Our people *continued*



Our new All Employee Incentive Scheme rewards employee contribution and enables everyone to share the benefit of Company success”.

We continue to invest significantly in our leaders and managers, through coaching and mentoring and development programmes. In FY19 we also launched ‘Enabling Managers’, to provide 300 key managers and leaders with the knowledge, tools, skills and confidence to lead high performing teams through immersive, experiential and virtual learning.

We also continue to develop our early careers pipeline. We are a founding member of The 5% Club, and commit to publishing the number of employees on apprenticeships, graduate programmes and sponsored students (see table below and also page 29). As well as providing apprenticeships for employees early in their career, we are also actively supporting 23 colleagues at later stages of their careers to undertake apprenticeships, including those on the new (FY19) Defence Enterprise Export Programme, a Level 7 apprenticeship, which was developed as part of the Defence Growth Partnership.

	FY19	FY18	FY17
Apprentices ¹	101	129	146
Graduates	90	109	106
Sponsored students	8	11	10
% UK workforce	4.0%	4.8%	4.9%

¹ Early careers apprentices only.

Rewarding and recognising our people

We hosted our second gala dinner to recognise and reward outstanding performance in our business. This year’s 45 winners showcased the breadth and depth of what we do across the whole of the Company.

In FY19 we launched a new recognition platform ‘Thank Q’. Anyone can nominate individuals or teams who make a difference, focusing on those capabilities and behaviours that are vital to our future success.

Our new All Employee Incentive Scheme rewards employee contribution and enables everyone to share the benefit of Company success through a bonus based on Company performance and an additional potential payment based on personal contribution. All employees are eligible to receive a bonus of between £500 and £1,000 depending on Group operating profit for the year falling within a pre-defined performance band. In the first year of operation, the scheme will pay out £1,000 to every employee in QinetiQ. As part of our employee engagement the Chair of the Remuneration Committee met with the EEG to ensure that link with employees.

To meet UK legislation, companies with more than 250 UK employees are required to publish their gender pay gap annually. In our second report, published in FY19, our mean gender pay gap was 16.6% and is due to the proportion of men who have senior roles. We recognise it will take time to make change but we are committed to doing so. In addition we now also report the CEO pay ratio (page 88).



I feel honoured to be part of the Enabling Managers programme, to hear the key messages from the CEO and all of us having a clear plan on the way forward, while being supported along the way.”

Corporate responsibility

Trusted to deliver sustained success for all of our stakeholders; our values are at the heart of how we deliver a responsible and sustainable business. We know that we can contribute to our future success and provide wider value to society through focusing on the skills of our people and the next generation, supporting our customers' sustainability agendas, our commitment to environmental stewardship and having a positive impact in the communities where we work.

Strategy, materiality and governance

Our corporate responsibility and sustainability strategy reflects the material issues for our business – defined by our overall business strategy and taking into account stakeholder priorities and best practice. There are some elements which will always be business priorities, such as the safety of our people and our approach to governance. However, we also recognise that we need to anticipate and understand emerging issues and trends; for example, how the Sustainable Development Goals can inform our priorities. The skills agenda, diversity reporting requirements and emerging modern slavery legislation across the world all need to be considered. Addressing them is integrated into our programmes, ensuring our approach to responsible and sustainable business does not stand still and fully supports the success of our business. Key to our materiality assessment is understanding the priorities of our stakeholders – primarily customers, investors and our people. This is achieved through regular dialogue such as investor meetings, involvement in the MOD-Industry Sustainable Procurement Working Group and our employee engagement programmes (see page 38). We are actively engaged with industry and trade body working groups on topics such as skills, environment and ethics.

We have Board and executive level commitment to corporate responsibility through the Group Risk & CSR Committee and this ensures successful delivery of responsible business practice, driven by strong leadership and governance. The Committee receives reports and briefings on all material corporate responsibility issues including business ethics, health and safety, environment, reputational risk and human rights (see page 74). Further Executive chaired committees include the Business Ethics Committee and the Health, Safety and Environment (HS&E) Committee. The Group's policies and management systems underpin our corporate responsibility programmes.

Business ethics – doing business the right way

Our Code of Conduct lays out our ethical standards, providing our people with clear direction and guidance on how we do business across the company. There are details on ethical decision-making and also how to seek help. We review our Code of Conduct annually to reflect the needs of our business, regulations and best practice.

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

We strive to create an environment in which our people feel included and confident to 'speak up' and so provide a number of routes for them to seek help or raise concerns. They are encouraged to talk to a manager, use our ethics email advice services and our independently run, 24/7 confidential reporting line. We have provided help and advice in response to all queries received via our ethics email advice services and all communication through the confidential reporting line is appropriately investigated (page 71). We provide guidance for

managers on their role in creating an open and inclusive environment where our people feel confident to raise concerns, and how to listen to and support anyone who may come to them with an issue.

In FY19 we launched a new global network of Ethics Champions, who are available for advice, provide guidance on our ethical decision-making tools, and help escalate concerns as required. They communicate about ethical issues, and provide feedback to continuously improve our ethics programme.

Our ethics programme is overseen by our Business Ethics Committee, chaired by our Chief Ethics Officer (the Company Secretary). We are active participants in the ethics forum hosted by our trade association ADS, where members can share best practice on ethics, human rights and anti-bribery.

Anti-bribery and corruption

Bribery is a serious issue and we recognise its potential risk to our business. We have a zero-tolerance approach to bribery and corruption, with robust policy and procedures in place, overseen by our Chief Ethics Officer. These are regularly reviewed against changing regulations and industry guidance. These procedures are also embedded into our international business risk management process with specific focus on risks associated with partner relationships. This includes commercial intermediaries, who are subject to comprehensive risk-based due diligence, using both in-house expertise and recognised specialist third party due diligence providers. Anti-bribery training forms part of our mandatory business ethics training for all of our people, and, additionally, we provide face-to-face training for our people in roles with a higher potential exposure to bribery and corruption risks with bi-annual refresher training.

Human rights

We seek to anticipate, prevent and mitigate potential negative human rights impacts through our policy and processes, which underpin our commitment to responsible business practices. For example, we address salient human rights issues through our Code of Conduct, trading policy, international business risk management process and export controls process. We monitor the application of these policies and procedures through our business assurance processes. We believe that this integrated approach is effective in ensuring our business acts responsibly and respects all human rights. As part of our ongoing programme to address modern slavery, we continue to provide training to our people, and to review our approach to risk in the supply chain. Our Supplier Code of Conduct helps to ensure our suppliers have clarity of their responsibilities on human rights. Our modern slavery and human trafficking statement is published on our website.

Environmental stewardship and use of resources

As part of our HS&E Strategy, we are working to deliver for our customers while protecting and sustaining our environment. Underpinning our approach is our ISO 14001 certification in the UK. Environmental issues are reviewed by the HS&E Committee and the Risk & CSR Committee.

As the costs of raw materials and waste disposal rise, adopting best practice in waste management makes good business sense and meets stakeholder expectations. A review of waste management across QinetiQ Group was undertaken to inform a new environmental corporate target which aligns with our strategy: to achieve a year on year increase in the annual proportion (%) of waste re-used and recycled from our underlying waste production from FY18-20. Due to the variety of our operations, infrastructure, facilities and geographical

Corporate responsibility *continued*

locations, there is no single solution to meet this target. To address this, we have implemented Waste Management Action Plans at our significant waste producing sites which account for 95% of waste produced. The new target was achieved with 81.6% of underlying waste reused or recycled, a small increase (0.3%) compared to the previous year.

During the year we have communicated regularly with our people on environmental issues – promoting the work we do and encouraging participation. A particular focus was World Environment Day, which in 2019 had the theme of 'Beating Plastic Pollution'. We have also been piloting an approach to environmental volunteering which we plan to launch in FY20.

The Task Force on Climate-related Financial Disclosures (TCFD) is a global initiative which has created a framework for companies to demonstrate climate change resilience to stakeholders. Unlike most environmental reporting, TCFD isn't about our impact on the environment; it is about the environment's impact on QinetiQ. Our approach to all aspects of environment and risk are overseen by our board (Risk & CSR Committee) and our HS&E Committee, with a high level risk review undertaken quarterly as part of the enterprise risk management process. Since 2011, we have undertaken climate change risk assessments on priority sites which we manage on behalf of the MOD, to understand what the key issues might be. In FY19 we undertook a series of new assessments based on recent climate projection data, working in partnership with the MOD. The key findings of the assessments will ensure we understand any vulnerability to climate change and can prioritise mitigations.

Sustainable solutions

Responsible and sustainable business practice is not just part of our operations but embraces the full value chain. QinetiQ is the industry chair of the MOD-industry sustainable procurement working group, where members collaborate and share best practice on a range of topics including risk, plastics and the Sustainable Development Goals.

Delivering products and services safely fundamentally underpins our offering to customers. Using our knowledge of sustainability has enabled us to increase our ability to support trials for our UK MOD customer. For example, the RAF approached QinetiQ to conduct firing training at MOD Aberporth, which until recently had been conducted in the Netherlands. Bringing the training to the UK has significant cost and logistics benefits for the customer. Environmental concerns relating to undertaking the training were effectively managed by the QinetiQ team by undertaking a sampling and monitoring programme of the marine environment.

Our supply chain is an extension of our own organisation, and so we take care in ensuring that it is as committed to the same standards of safety, security and governance as we are. We have a supplier code of conduct and our on-boarding and vetting process ensures that suppliers understand the issues which are important to us such as safety, anti-bribery and modern slavery. In return, we are signatories to the Prompt Payment Code, and report our payment details as required by legislation. During FY19 we ran events with our suppliers where we raised awareness of issues such as safety and modern slavery and shared best practice.

Greenhouse gas emissions and energy management

There is clear scientific evidence linking rising greenhouse gas (GHG) concentrations and climate change. We have developed a new Group GHG (Scope 1 and Scope 2) reduction target of a 25% reduction on our FY19 baseline emissions by the end of FY25. The new target follows the retirement of the 2020 target to achieve 17% reduction on a 2013 baseline, which was achieved earlier than expected. Our new target aligns to a climate change trajectory of 1.5°C. In support of this new target we have a new 2025 energy strategy that will support sustainable business growth through responsible supply and use of energy resources, while reducing our GHG emissions. The strategy focuses on resource and cost efficiency, operational resilience and positive environmental impact. Further details on our GHG reporting, our new target and our energy strategy are on our website.

In FY19 we successfully achieved recertification of our Energy Management System to ISO 50001 standard. The management system includes a new tool (the Energy Management Action Plan) to collect, track and quantify energy saving opportunities. We have also developed new sustainable Property Standards to support the sustainable development and maintenance of our estate. In FY19 we migrated to a new data assurance process for Scope 1 and 2 GHG emissions reporting. PricewaterhouseCooper LLP (PwC) carried out a limited assurance engagement on selected GHG emissions data for year ending 31 March 2019 in accordance with International Standard on Assurance Engagements 3000 (revised) and 3410, issued by the International Auditing and Assurance Standards Board. A copy of PwC's report and our methodology is on our website:

 www.QinetiQ.com/about-us/corporate-responsibility

We report our Scope 1 and Scope 2 emissions on the basis of financial control in line with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. There are no material exclusions from this data. The data has been prepared in accordance with the UK Government's Environmental Reporting Guidance (March 2019).



Beating Plastic Pollution

5 June is World Environment Day and activities were organised by teams across our sites to support the theme of 'beating plastic pollution'.

A number of beach cleans and litter picks were undertaken, with one team filling a whole skip with the rubbish they collected.

We promoted the day using china cups, not take-away cups, and built a 'coffee cup tower' with (used) non-recyclable cups to illustrate and raise awareness of the size of the issue. We also encouraged people to reduce the use of disposable plastic cups at water fountains.

These activities all help raise awareness and support our waste target.

Greenhouse gas emissions

	FY19 ¹	FY18 (Restated)	FY18 (Previously Reported)
Total Scope 1 Emissions (tCO₂e) from fuel combustion and operation of facilities	20,096	19,776	24,651
Total Scope 2 Emissions (tCO₂e) from purchased electricity	20,977	22,666	25,678
Total Scope 1 & 2 Emissions (tCO₂e)	41,073	42,441	50,329
Intensity ratio (tCO₂e per £m of revenue)	45	51	60

¹ FY19 data is subject to the new assurance process.

The continuous improvement in our Energy Management System, combined with the increased scrutiny of the FY19 data as our new baseline year for the 2025 Group target and the adoption of a new and more robust assurance process, has identified some errors, with historical over-reporting of our Scope 1 and 2 emissions. The original FY18 data is presented alongside the restated data for FY18. The restated FY18 figures have not been subject to external assurance but revisions have been made to ensure consistency to the FY19 methodology.

Investing in our local communities

Our STEM (Science, Technology, Engineering and Maths) outreach programme recognises the value of inspiring the next generation of scientists and engineers and contributing to current and future skills shortages in these disciplines. There is clear evidence that giving young people the opportunity to engage with business has a positive impact on their future employability. Our people use their professional skills to make a positive difference, and our approach is to grow sustainable long-term relationships with local schools and youth groups such as cadets, near to our sites. In addition to STEM volunteering, our non-technical people use their professional skills to make a positive difference in our local communities.

2018 was the Year of Engineering, a Government-led national campaign in the UK, and throughout the year we communicated regularly both with our people and externally to raise the profile of the wide variety of rewarding career pathways available in engineering. While the Year of Engineering has come to a close, we will continue to support our network of STEM Ambassadors to provide real-world insights into engineering and inspire a diverse range of young people to choose careers in STEM.

This year our STEM Ambassadors engaged with over 90 schools and approximately 3,500 young people in the UK, through activities such as inspirational projects with our STEM Ambassadors, visits to our sites, mentoring, support with extra-curricular STEM and coding clubs, and careers fairs. We have also engaged with approximately 18,000 young people at larger events such as the Royal International Air Tattoo and Solent Festival of Engineering.

**Outreach – Cadets**

A visit to QinetiQ Haslar by a group of Sea Cadets from across the UK, participating in an inaugural engineering summer camp at HMS Sultan, Gosport, as part of the Year of Engineering. Our STEM outreach activities include supporting youth groups such as cadets as well as schools. Site visits and STEM outreach with cadets also form part of our Armed Forces Covenant commitments.

We recognise that STEM subjects have traditionally been seen as male dominated and so as part of our D&I strategy we continue to focus on attracting girls into STEM careers. 30% of our STEM Ambassador role models are female and we again supported International Women in Engineering Day, engaging with 195 girls from 20 different schools, and published blogs and videos featuring our female engineers from across the world, telling their stories.

Across QinetiQ Group we have a number of charity partners chosen by our people: Alzheimer's Society and Alzheimer Scotland, British Heart Foundation and Combat Stress in the UK, and a number of local charities chosen at many of our UK sites, as well as other charity partners internationally, such as Legacy in Australia. In addition to fundraising for these chosen partner charities, there are clear links with and we welcome their contributions to our wellbeing and D&I programmes.

Our commitment to the armed forces

As a signatory to the Armed Forces Covenant, we are proud of our support to the armed forces. In FY19 our Group HR Director was invited to speak at the AGM of SERFCA (South East Reserves Forces and Cadets Association) and we are the first company working with SERFCA to receive a Gold Award in the MOD Defence Employer Recognition Scheme. We undertake a broad range of activities including onward career support for the wounded injured sick (WIS) service personnel at Tedworth House.