Susan Searle
Remuneration
Committee Chair

Directors' Remuneration Report

//The Committee was pleased that the new Policy received a 84.3% 'For' vote at the 2023 AGM and will continue to work with stakeholders to ensure that the Policy supports the delivery of our strategy and growth ambitions.//

QinetiQ's Gender Pay Gap data can be found on our website at www.QinetiQ.com

Dear Shareholder,

As the Group Chair notes in his statement on page 2, FY24 was a year of continued strong Group performance. This was reflected in the incentive out-turns where stretch annual financial targets were exceeded on orders and cash, with profit between target and stretch performance.

Reward decisions for FY24

The Remuneration Committee awarded base salary increases of 3.8% for the CEO and 3.9% for the former CFO effective 1 July 2023. Both salary reviews are aligned with the Rewarding for Performance guidance used for all UK employees and below the 4.0% budget for the July 2023 salary review.

Following the approval of the new Directors' Remuneration Policy (the Policy) at the 2023 AGM, the unadjusted FY24 out-turn under the new Annual Bonus Plan (ABP) would have been 87.5% and 85.0% of the maximum to the CEO and former CFO respectively, reflecting strong financial performance. The payment for FY24 will be structured as 70% in cash and 30% in shares, deferred for two years.

FY24 saw the first grant under the new Long-term Performance Award (LPA). The three-year performance metrics for the grant were cumulative underlying operating profit, Return on Capital Employed (ROCE) and total revenue growth, with stretch targets aligned to our growth ambition.

Cycle 3 of the legacy Bonus Banking Plan (BBP) will be released as shares in June 2024 as the FY24 performance underpin has been achieved. The BBP is now closed and will cease to operate.

The FY21 contingent share award under the legacy Deferred Share Plan (DSP) will vest in June 2024 as the performance underpin, that FY24 profit had to exceed that delivered in FY21, has been achieved. No further awards will be made under the DSP as it was replaced by the LPA.

The FY24 CEO single figure on page 117 is higher than FY23, despite the lower FY24 annual incentive payment; this is largely due to there not being a FY20 DSP contingent share award vesting in June 2023.

The Committee agreed to exercise discretion to adjust downwards the ABP payment for FY24 in view of the tragic deaths of two of our colleagues in the German business. Although the formal investigations into this accident are ongoing, we do not believe that there was any contributory fault by the Company. Notwithstanding this, the CEO and the Committee felt it appropriate to reduce the safety out-turn of the common goals element of the ABP to demonstrate our commitment to the highest levels of safety performance. The Committee notes, however, that underlying safety performance and controls continued to improve in FY24 as a direct result of leadership actions. This downwards adjustment will be applied to the CEO, former CFO and all senior leaders in the QinetiQ Leadership Community (some 100 employees globally). Further details are provided on pages 118 and 119.

The Committee also considered carefully the potential impact on incentives of the share buyback programme which commenced in February 2024, involving the gradual purchase and deletion of some £100m of shares over 12 months. The Committee noted that no current incentive plans measure performance on a 'per share' basis and that there was no direct boost to financial performance as a result of the share buyback. The Committee therefore determined that no adjustment to incentives is necessary in relation to the share buyback.

Leadership changes

After the end of FY24 on 16 April 2024, the Company announced that Carol Borg, Group CFO, and the Board together agreed that Carol would step down from her role. Martin Cooper has been appointed as Group CFO to succeed Carol and he is expected to join the Company no later than October 2024. The Committee determined that she should be treated as a Good Leaver for elements earned in year and also agreed the appointment terms for Martin as detailed on pages 123 and 128.

Two further critical roles were appointed to the QinetiQ Leadership Team (QLT) in April 2024 for which the Committee approved the remuneration terms - Iain Stevenson to the newly created role of Chief Operating Officer and the promotion of Will Blamey as Chief Executive, UK Defence.

Directors' Remuneration Policy

In FY23 the Committee spent a significant amount of time considering the new Policy and consulted widely with shareholders. The Committee was pleased that the new Policy received a 84.3% 'For' vote at the 2023 AGM and will continue to work with stakeholders to ensure that the Policy supports the delivery of our strategy and growth ambitions.

Implementation for FY25

The ABP for FY25 is based on the same financial metrics as in FY24 (orders, profit and cash) with stretch targets set against the delivery of the Integrated Strategic Business Plan (ISBP). Financial metrics have a 70% weighting and non-financial targets have a 30% weighting based on the achievement of personal and common goals, with the focus of the latter on ESG metrics.

The Committee has reviewed the performance metrics for the FY25 LPA three-year performance period and decided that as for FY24 they will be cumulative underlying operating profit, ROCE and total revenue growth to drive consistent profit performance, robust investment selection and value creation for our customers through collaboration. The Committee is cognisant that inclusion of a relative Total Shareholder Return (TSR) metric is a preference for at least one of the Company's major shareholders and it is therefore committed to keeping the use of TSR under review. However, the Committee continues to believe that relative TSR is strongly influenced by market sentiment and is also mindful of the challenge of identifying appropriate comparators for a Company such as QinetiQ that has few direct UK peers.

Employee engagement and reward

Building on the cost-of-living measures we implemented in FY23, we have invested further in our overall employee offering in FY24. In the UK, we have implemented a reward strategy and addressed market relativity through providing additional base salary increases to employees ensuring they receive a fair market level of pay. We have also achieved Living Wage accreditation guaranteeing an above-statutory level of pay for our lowest paid UK employees. In the US we have implemented a compensation framework in support of integration. In the Australia sector we have commenced a benchmarking exercise and will be developing a sector-level reward strategy over FY25. Our Group Hardship Fund and Employee Assistance Programmes (EAP) continue to provide additional support to our employees who are experiencing challenging personal circumstances.

QinetiQ's employees are key to the delivery of our ambitious growth strategy. Our employees have been outstanding this year, demonstrating extraordinary focus, collaboration and drive to continue to deliver to our customers.

The CEO and the Chief People Officer have held regular discussions with our Global Employee Voice on reward matters. The social section on page 48 details our employee engagement activity.

I met with the Chair and other representatives of the Global Employee Voice during the year which provided a really insightful opportunity to discuss the evolving global economic situation, the working environment post COVID and how we are focused on enhancing the performance culture within the business.

The Company operates an All Employee Incentive Scheme (AEIS) whereby every eligible employee can earn a payment if the Company achieves a level of operating profit within a predetermined range from target to stretch. FY24 performance was just below the stretch profit target resulting in a payment for the Company element of the AEIS of £1,138.

In addition, high-performing employees can earn up to an additional 5% of salary based on personal performance rating.

The AEIS is a key element of the Company's Rewarding for Performance framework and aligns employees and shareholder interests by incentivising and rewarding profitable growth. The Company will operate the AEIS again for FY25. Looking forward, the Company will continue to invest in our global reward and benefits strategy and our employee offering.

Conclusion

Supporting leadership to drive Company performance and strategy by implementing the new Policy were the primary areas of focus of the Remuneration Committee in FY24. The Committee believes the evolution of the QLT at the beginning of FY25 sets the Company up for success as it continues to scale and grow globally. We also remain mindful of the global competitive environment and the increasing levels of responsibility.

The Company performed well in FY24 with continued strong Group performance. To achieve the next phase of profitable growth we need simple stretching incentives which offer motivating opportunities for leadership aligned to the five-year strategy with consistent operational performance.

I am very grateful for the time shareholders have given us this year and I hope that we can rely on your vote in support of the Directors' Remuneration Report at the AGM on 18 July 2024.

I am pleased Dina Knight joined the Committee in March 2024 and it is our intention that she will take over the Chair role in 12 months time.

I would welcome comments and questions from shareholders in relation to this Directors' Remuneration Report and I can be contacted through companysecretariat@qinetiq.com.

Susan Searle
Remuneration Committee Chair

23 May 2024

Remuneration at a glance

Remuneration at a glance

Components, alignment, application and changes

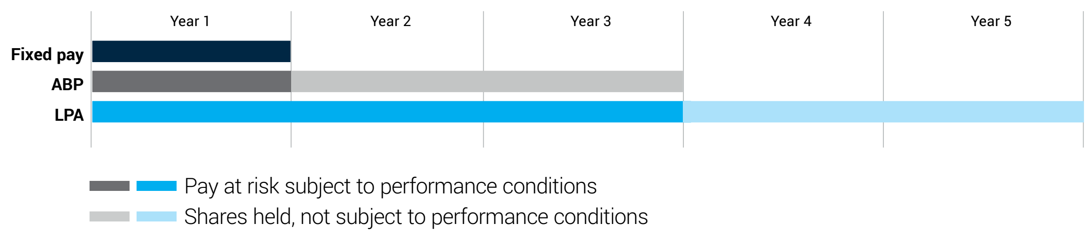
Annual fixed pay	Link to strategy	Application in FY25
Salary Executive Directors' base salaries are set on appointment and reviewed annually, or when there is a change in position or responsibility. Typically, base salaries will be increased by a similar percentage to the average pay increase for all employees of the Group.	Fixed pay is set at a level that enables us to attract and retain high-quality Executive Directors, who are capable of successfully leading and executing our strategy and delivering long-term sustainable growth. Our Policy aims to ensure that fixed pay remains attractive and competitive.	No change in prior-year implementation of Policy.
Benefits Benefits include a car allowance, health insurance, life assurance, income protection and taxable expenses.		No change in prior-year implementation of Policy.
Pension Executive Directors receive 10.5% of base salary allowance as cash in lieu of pension which is equivalent to the UK workforce pension available to all employees.		No change in prior-year implementation of Policy.

Annual Variable pay	Link to strategy	Application in FY25
The Annual Bonus Plan (ABP) introduced for FY24 onwards is as follows: – 70% of any outcome is payable in cash at year end and 30% will be deferred into shares, which vest after two years – The maximum incentive for Executive Directors is 200% of salary – The performance measures used for the ABP are the same as those used in prior years. For FY25 these are orders, operating profit, cash flow, common goals (which include ESG metrics) and personal goals. As in FY24, a weighting of 70% financial and 30% non-financial metrics will be used for FY25	The ABP rewards strong sustainable financial performance through a 70% weighting on core financial metrics, driven by the implementation of our strategy. The ABP also rewards non-financial performance through the delivery of key common goals related to environment (Net-Zero roadmap), employee engagement and inclusion, and safety and the achievement of personal goals. The partial deferral of any ABP payment into shares drives a long-term and sustainable focus aligned to the interests of shareholders.	For FY25 the Remuneration Committee revised the annual incentive financial target weightings (70% in aggregate) by reducing orders to 15% (FY24 20%) and increasing cash to 25% (FY24 20%), profit remains at a 30% weighting. The revised weightings reflect the need to drive profitable growth and strong cash management and are closely aligned to strategy.

Long-term variable pay	Link to strategy	Application in FY25
The Long-term Performance Award (LPA) introduced for FY24 onwards is as follows: – Three-year performance test with any shares vesting subject to a further two-year holding period – The maximum LPA award for Executive Directors is 250% of salary for the delivery of truly stretching financial targets – The performance measures used for the LPA for FY25 will be earnings, ROCE and total revenue growth – No more than 20% of each element of the award will vest at threshold levels of performance	The LPA has a clear link to strategy and incentivising growth: – Cumulative earnings: To deliver consistent operational performance over the longer term. Understood, relevant and actionable for QinetiQ senior leaders – Returns: To drive robust investment selection and delivery – Total revenue growth: To drive value creation through collaboration and market leverage The payment of any LPA in shares which must be held for a further two years drives a long-term and sustainable focus aligned to the interests of shareholders.	No change in prior-year implementation of Policy and financial targets.

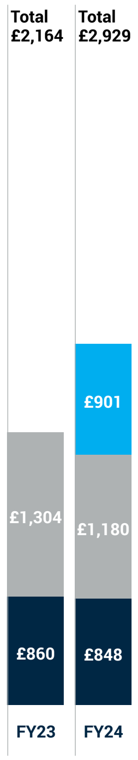
Timing

To create strong alignment between executive remuneration and the long-term interests of our shareholders, the ABP is paid in part in deferred shares vesting two years after the award was earned. The LPA has a three-year performance period, after which any vested shares must be retained by the Executive for a further two years.



Single Figure FY24
(£'000)

Steve Wadey
Chief Executive Officer

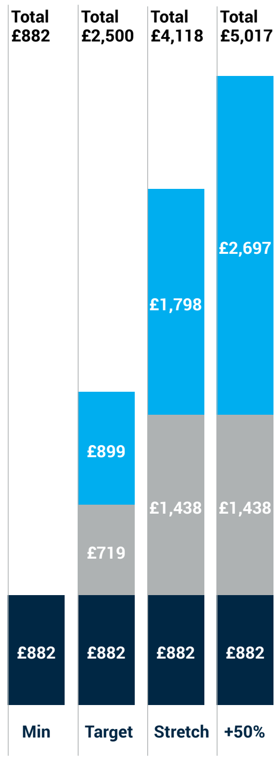


Carol Borg
Chief Financial Officer

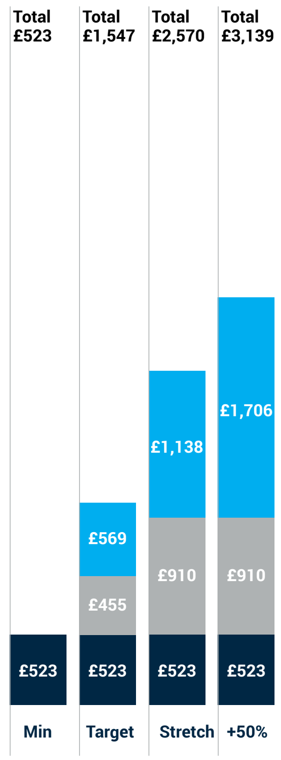
Key
- Fixed pay
- Annual variable pay
- Long-term variable pay

Illustration of FY25 potential
(£'000)

Steve Wadey
Chief Executive Officer



Martin Cooper*
Chief Financial Officer



Minimum – Fixed pay (FY25 base salary, plus taxable benefits and pension allowance)
Target – Fixed pay plus ABP at Target (100% of base salary) and LPA at Target (125% of base salary)
Stretch – Fixed pay plus ABP at Maximum (200% of base salary) and LPA at Maximum (250% of base salary)
+ 50% Share price appreciation – Stretch plus 50% share price appreciation (on 100% of LPA)

Key
- Fixed pay
- Annual variable pay
- Long-term variable pay

* Full year calculation shown

Directors' Remuneration Policy Q&A

What are the principles of QinetiQ's Directors' Remuneration Policy?

The principles of the Policy are:
- A clear approach with alignment to market practice and separation between annual and long-term incentives;
- To drive sustainable annual performance, supporting our ambitious growth strategy and long-term value creation;
- Balance between supporting organic and inorganic growth;
- Drive collaboration across our teams; and
- Retain, attract and incentivise top talent.

How does the Policy align executive pay with the interests of shareholders?

QinetiQ's annual incentive scheme and long-term share plan deliver shares which must be retained after any award is paid or vests. In our ABP, 30% of the award is deferred and held as shares and is therefore subject to share price exposure. In our LPA there is a three-year performance period before any shares vest and then a further two-year holding period.

In addition, the Executive Directors are required to build and hold a significant shareholding in the Company of 300% of salary for the CEO and 200% for other Executive Directors.

How does your Policy reward the implementation of Company strategy?

Our strategy, as detailed in our five-year Integrated Strategic Business Plan (ISBP), aims to deliver sustainable and long-term growth in our business and to increase value to our shareholders.

The Policy focuses on the achievement of stretching but sustainable annual and three-year financial performance targets aligned to the ISBP, balanced with common goals and personal objectives, to provide strategic alignment and support the growth ambition of the Company.

How does the Policy drive corporate culture?

Our annual bonus scheme includes a 30% weighting towards non-financial metrics including common goals (which include ESG metrics) and personal objectives. Common goals are based on ESG targets for employee engagement and inclusion, progress towards the Net-Zero target and the overall safety maturity of the Company.

The personal objectives measure the 'what' and the 'how' to ensure that key personal deliverables are achieved through collegiate and collaborative behaviours.

How is ESG reflected within the bonus plans?

ESG is measured through metrics such as route to Net-Zero, employee engagement and diversity and inclusion interventions. These have a 17.5% weighting in the current annual incentive plan, which we anticipate will continue for the ABP in FY25 and thereafter. At this current point in the Company's journey towards Net-Zero and other core ESG milestones, the Committee considers it better to focus on annual incremental performance to deliver long-term goals.

How do you avoid rewarding for failure?

In line with best practice, Executive Directors' contractual notice periods are 12 months with termination payments normally limited to salary, benefits and pension with a duty to mitigate loss if they are terminated by the Company.

Incentives have stretching performance targets to ensure that any payments are justified with the Remuneration Committee having discretion to adjust the formulaic out-turn to ensure that rewards are appropriate. In addition, bonus deferral, holding periods and shareholding requirements ensure a focus on sustainable share price performance.

How have you supported employees in FY24

Building on the cost-of-living measures we implemented in FY23, we have invested further in our overall employee offering in FY24. In the UK, in response to the continued high levels of inflation we have provided additional base salary increases to ensure our employees receive a fair market level of pay. We have also achieved Living Wage accreditation guaranteeing an above-statutory level of pay for our lowest paid UK employees and subcontractors and are working towards equivalent accreditation in other geographies (e.g. Canada). In the US we have concluded a benchmarking exercise helping us to better understand our market position and in the Australia sector we have commenced a benchmarking exercise and will be developing a sector-level reward strategy over FY25. Our Group Hardship Fund and Employee Assistance Programmes (EAP) continue to provide additional support to our employees who are experiencing challenging personal circumstances.

How do you focus on employee engagement?

Our employees share in the Company's success following the introduction of the AEIS in FY19 which pays up to £1,250 to all eligible employees on the basis of the Company's annual operating profit performance. The AEIS is important as a performance driver, to support collaboration and to share the success we create for shareholders.

Our Global Employee Voice (GEV), representing our global employees, is deeply engaged across the Company. We listen to the views and level of engagement of our people through a quarterly survey using a market-leading dynamic tool (Peakon).

Summary Directors' Remuneration Policy

The Directors' Remuneration Policy was approved by shareholders at the AGM on 20 July 2023.

The full Policy is provided in the Corporate Governance section on the Company's website, and it will remain in effect until the 2026 AGM. When considering the review of the Policy, the Committee was mindful of UK Corporate Governance Code provisions which state that the Committee should address the issues as follows:

- Clarity is achieved by the simplification of the incentives and the better separation between the annual and long-term plans in the Policy
- Simplicity is delivered by a simple approach to incentives in the Policy, particularly the ABP
- Risk continues to be managed through the operation of a broad suite of performance measures and targets, the use of deferral, holding periods and malus and clawback provisions, and the close interaction with the Audit and Risk & Security Committees
- Predictability is achieved by setting clear performance targets and outcomes for threshold, target and stretch levels of performance, with a close link to Company strategy
- Proportionality is delivered through performance conditions, both financial and non-financial, with the clear link to strategy. The Committee has the discretion to override formulaic outturns to ensure that they are appropriate and reflect overall performance
- Alignment to culture is supported by performance measures which are consistent with the Company's purpose, values and strategy

A summary of the Policy is set out below:

Element	Purpose and link to strategy	Operation and performance measures	Maximum opportunity
Base salary	To attract and retain the talent needed to lead our business.	An Executive Director's base salary is set on appointment and reviewed annually or when there is a change in position or responsibility. When determining an appropriate level of salary, the Committee considers: – general salary rises to employees; – remuneration practices within the Group; – any change in scope, role and responsibilities; – the general performance of the Group; – the experience of the relevant Director; – the economic environment; and – pay levels for similar roles among appropriate comparators. Individuals who are recruited or promoted to the Board may, on occasion, have their salaries set below the targeted policy level until they become established in their role. In such cases subsequent increases in salary may be higher than the general rises for employees until the target positioning is achieved.	Typically, the base salaries of Executive Directors in post at the start of the Policy period and who remain in the same role throughout will be increased by a similar percentage to the average annual percentage increase in salaries of all other employees in the Group. The exceptions to this rule may be where: – an individual is below market-level and a decision is taken to increase base pay to reflect proven competence in the role; or – there is a material increase in scope or responsibility to the Executive Director's role. The Committee ensures that maximum salary levels are positioned in line with companies of a similar size to QinetiQ and validated against other companies in the industry, so that they are competitive against the market.
Pension allowance	To ensure that Executive Directors' total remuneration remains attractive and competitive.	The Company provides a pension contribution allowance in line with practice relative to its comparators to enable the Company to recruit and retain Executive Directors with the experience and expertise to deliver the Group's strategy.	The maximum policy pension allowance is aligned with the Company pension contribution paid to the majority of UK pension scheme members (which is currently 10.5% of salary).
Benefits	To ensure that Executive Directors' total remuneration remains attractive and competitive.	Benefits include car allowance, health insurance, life assurance, income protection, expenses incurred which HMRC may deem taxable and membership of the Group's employee Share Incentive Plan which is open to all UK employees.	Benefit values can vary year-on-year depending on premiums and the maximum is the cost of providing the relevant benefits.

Summary Directors' Remuneration Policy continued

Annual Incentive	Purpose and link to strategy	Operation and performance measures	Maximum opportunity
Annual Bonus Plan (ABP)	The ABP provides an incentive for the Executive Directors to achieve targets that are entirely aligned to the Company's strategy.	– The ABP is an annual incentive plan with a one year performance measurement period, with any award paid partly in deferred shares; – A maximum award of 200% of salary is available each year; – At the end of the first year 70% of the award is paid as a cash bonus; – The remaining 30% is deferred as an award of deferred shares that must be held for two years, and are subject to malus and clawback for up to three years from the payment date; and – Dividend equivalents will be paid on the deferred shares.	Maximum = 200% of salary. Target = 100% of salary. Threshold = 0% of salary.

Long-term Incentive	Purpose and link to strategy	Operation and performance measures	Maximum opportunity
Long-term Performance Award (LPA)	The LPA provides an incentive for the Executive Directors to achieve long-term financial targets that are entirely aligned to the Company's strategy and the creation of shareholder value. The delivery of any LPA in shares, which must be held for a further two-years, drives a long-term and sustainable focus aligned to the interests of shareholders.	Vesting of the LPA award will be determined by performance against a scorecard of three-year performance measures, the majority of which will be financial (which will not duplicate those for the ABP). Any vested shares must be held for a further two years. Malus and clawback provisions apply to the LPA. The Committee will normally provide dividend equivalents on vested shares under the LPA.	Maximum = 250% of salary. Target = 125% of salary. Threshold = 50% of salary. No more than 20% of each element of the LPA may vest at threshold levels of performance.

Element	Purpose and link to strategy	Operation and performance measures	Maximum opportunity
Minimum shareholding requirements – during and after employment	To align Executive Directors' interests with those of shareholders through the build-up and retention of a personal holding in QinetiQ shares.	Executives have five years to accumulate the required shareholding. 300% of base salary for the CEO. 200% of base salary for other Executive Directors. Executive Directors will have a post-employment shareholding requirement of 100% of salary for the first year post cessation, then 50% of salary for the second year post cessation of employment.	The Committee reviews compliance on an annual basis and adherence to these guidelines is a condition of continued participation in the equity incentive arrangements.
Chairman and Non-executive Directors			
Fees	To attract and retain Non-executive Directors of the calibre required to assist the Company in setting and delivering its strategy.	Fees are reviewed annually based on equivalent roles in the comparator group used to review salaries paid to the Executive Directors.	The fees for Non-executive Directors and the Group Chair are broadly set at a competitive level against the comparator group.

Annual Report on Remuneration

The following section of this report details how the Directors' Remuneration Policy has been implemented for the year ended 31 March 2024.

Audited information

Executive Directors' single total figure of remuneration:

Executive Director	Year	Salary £'000	Benefits £'000	Pension £'000	Total fixed pay £'000	Annual Bonus Plan £'000	Deferred Share Plan £'000	Total variable pay £'000	Total remuneration £'000
Steve Wadey (CEO)	FY24	689	87	72	848	1,180	901	2,081	2,929
	FY23	664	79	117	860	1,304	–	1,304	2,164
Carol Borg (CFO)	FY24	448	69	47	564	744	–	744	1,308
	FY23	431	82	45	558	835	–	835	1,393

Benefits can include travel and subsistence expenses incurred in relation to the execution of their duties with the company that are considered by HMRC to be taxable. Where the company settles the director's tax, the value disclosed is not grossed up for tax.

Salary

Salaries are reviewed effective 1 July, which is the same timing as for the rest of the UK employee population.

	Salary as 1 April 2023 £'000	Increase in the year	Salary as at 1 July 2023 £'000	FY24 salary actually paid £'000
CEO	670	3.8%	696	689
CFO	435	3.9%	452	448

Benefits (audited)

Benefits comprise a car allowance, travel allowance, private medical expenses insurance, life assurance, income protection and taxable expenses.

	Taxable expenses £'000	Travel & car allowance £'000	Insurance benefit £'000	Total benefits £'000
CEO	43	19	25	87
CFO	1	63	5	69

Pensions (audited)

The Executive Directors did not participate in the QinetiQ pension scheme for FY24. The pension figure is cash in lieu of pension equating to 10.5% of base salary. The FY23 figure for the CEO above has been restated for a pension allowance payroll error correction payment of £2,316.

	Cash in lieu of pension £'000	Total in lieu of pension £'000
CEO	72	72
CFO	47	47

Annual Bonus Plan (audited)

The ABP is an annual incentive plan with a one-year performance measurement period, with any award paid partly in deferred shares. After the end of the first year, 70% of the award is paid as a cash bonus. The remaining 30% is made as a deferred share award that must be held for two years and is subject to continued employment. Malus and clawback apply for up to three years from the payment date.

	ABP award £'000	June 2024 payment in cash (70% value £'000)	Value of share payment (30% value £'000)	30-day average share price to 31 March 2024 (p)	Estimated Deferred shares awarded June 2024
CEO	1,180	826	354	364.9	97,028
CFO	744	521	223	364.9	61,202

Deferred Share Plan (audited)

The FY21 legacy DSP award achieved the performance underpin based on FY24 profit exceeding that in FY21 (£150.0m) and, therefore, the shares ceased to be contingent, will vest in June 2024 and are disclosed in the single figure for FY24. The 100% vesting refers to the shares which have passed the underpin of those initially granted based on FY21 performance, which was 100% of the maximum available. The share value used is the 30-day average to 31 March 2024 (364.9p) and the estimated value includes £51,902 as dividend equivalent payments.

	FY21 Shares awarded	Vesting %	Shares vesting	Estimated value £'000
CEO	232,746	100%	232,746	901

Annual Report on Remuneration continued

Annual Bonus Plan (audited)

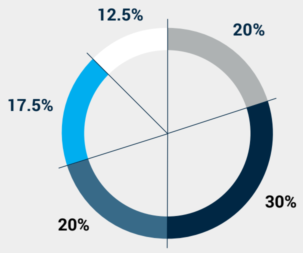
For the year ended 31 March 2024 achievement of on-target performance provides a payment equal to 100% of base salary, rising on a linear scale to 200% of base salary for achievement of stretch performance.

The scheme begins to pay out once threshold performance measures have been achieved. For the year ended 31 March 2024, the CEO and CFO were measured against the targets as shown in the chart to the right. The target payment was 50% of maximum for financial and non-financial objectives.

When setting performance targets the Remuneration Committee takes into account the budget and the Company's strategy set in relation to the ISBP, shareholder expectations and the external environment.

The aim is to set stretching targets which incentivise the Executive Directors to deliver annual results which will exceed the expectations of investors, but which are also sustainable and do not create undue profit risk. Financial performance measures exclude the contribution from businesses acquired in the year.

% of maximum



Audited information

FY24 performance outcomes

		Threshold	Target	Stretch	Actual	% of maximum reward achieved	CEO contribution	CFO contribution
CEO/CFO financial performance measures								
Orders[1]	20%	£1,525.0m	£1,650.0m	£1,725.0m	£1,740.4m	100.0%	£275,664	£179,109
Underlying operating profit[1]	30%	£194.0m	£205.0m	£217.0m	£215.2m	92.5%	£382,484	£248,514
Underlying net cash flow from operations[1]	20%	£230.0m	£250.0m	£270.0m	£304.6m	100.0%	£275,664	£179,109
CEO/CFO common goals (as detailed on page 119)								
– Performance against key stretching objectives[2]	17.5%	40%	50%	100%	55.7%	55.7%	£134,386	£87,316
CEO personal goals								
– Performance against stretching objectives	12.5%	40%	50%	100%	80.0%	80.0%	£137,832	
CFO personal goals								
– Performance against stretching objectives	12.5%	40%	50%	100%	60.0%	60.0%		£67,166
CEO overall result[2,3]						**87.5%**	**£1,206,030**	
CFO overall result[2,3]						**85.0%**		**£761,214**

1 Definition of underlying measures and performance can be found in the glossary on page 200.

2 Based on a recommendation by the CEO, the Committee agreed to exercise discretion to adjust downwards the ABP payment for FY24 in view of the tragic accident when two of our colleagues lost their lives in the German business. This downwards adjustment reduced the actual FY24 ABP payment by £25,844 and £16,791 for the CEO and former CFO respectively, resulting in actual payments of **CEO £1,180,186 (85.6% of the maximum)** and **former CFO £744,423 (83.1% of the maximum)**.

3 The FY24 ABP payment will be made 70% in cash in June 2024 and 30% will be awarded as deferred shares in June 2024 which must be held for two years.

Common goals (17.5% weighting) (audited)

Measures	FY24 Performance	Out-turn (% maximum)
Net-Zero (5.0% weighting)	Make demonstrable progress towards the QinetiQ Net-Zero plan by reducing Scope 1, 2 and some elements of Scope 3 emissions. The FY24 Net-Zero Threshold performance level was not achieved resulting in a zero payment for this element.	
Engagement (5.0% weighting)	Achieve Group Peakon (third-party employee engagement survey) improvement target above FY23 baseline. FY24 employee engagement was above FY23 baseline performance and, at year end, was at an all-time highest level. FY24 performance was between Target and Threshold for this measure.	
Safety (7.5% weighting) Safety Maturity (3.75%) Safety Interventions (3.75%)	Drive the overall safety maturity of the Group as measured by an independent process. Make specific tangible safety interventions that improve underlying safety performance and controls. For FY24 the safety maturity score was above Stretch, marking strong progress against this independent process, and both Executive Directors delivered the Stretch requirement for tangible safety interventions. Overall out-turn reduced by 1.875% (i.e. 50% of the 3.75% weighting aligned to safety maturity) as an exercise of discretion in relation to the two employee deaths in FY24. **The adjusted out-turn is 45.0%**	
Total		**55.7%**

Personal goals (12.5% weighting) (audited)

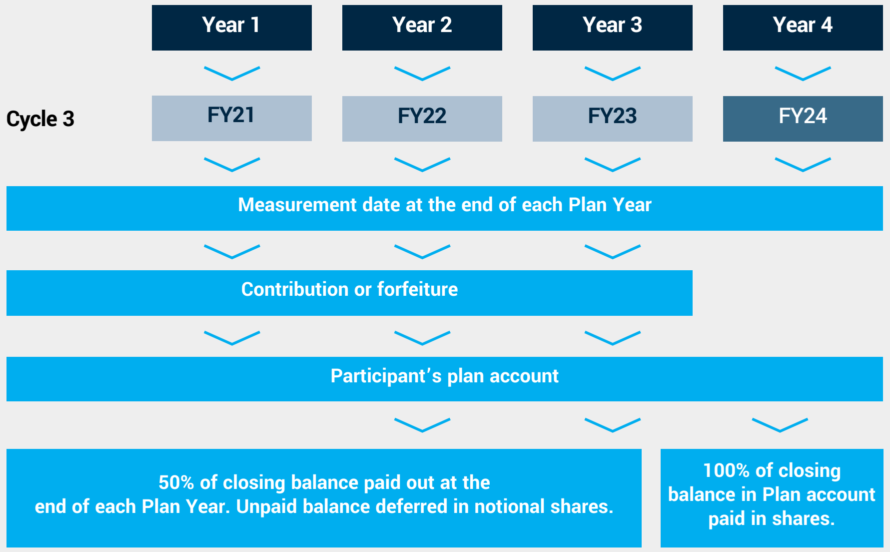
	FY24 Performance	Out-turn (% maximum)
CEO	Mature safety, security and organisational capability. Measures - demonstrable progress against improvement plans for safety, security and programme management. Deliver consistent operational performance in FY24. Measures - demonstrable consistent performance throughout the year evidenced by KPIs, with minimal programme performance issues. Develop culture that enables sustainable growth to realise 5-year ambition. Measures - launch a programme of work focused on enabling our leadership in support of our culture development programme. Enable growth through customer focus and investment in capabilities consistent with AUKUS. Measures - strong customer feedback and delivery of AUKUS roadmap to shape our future strategy.	
Total		**80.0%**
CFO	Mature Finance & Governance Function consistent with 5-year ambition. Measures - demonstrable progress of functional development and capability enhancement with consistent positive feedback from key stakeholders. Deliver consistent operational performance in FY24. Measures - demonstrable consistent performance throughout the year evidenced by KPIs, with minimal programme performance issues. Embed Three Lines assurance model across company. Measures - evidenced progress of Three Lines assurance model embedding across the Company Deliver year 2 of ESG plan. Measures - evidenced progress against Net-Zero plan in year with proactive leadership in support of the ESG development company wide.	
Total		**60.0%**

Annual Report on Remuneration continued

How the legacy BBP operated

- The Plan operated on a fixed three-year performance cycle with a four-year vesting cycle. FY24 represents Year 4 of Cycle 3.
- Performance targets were set at the beginning of each Plan year.
- At the end of each of the first three Plan years the performance against targets was assessed and the level of the incentive earned is determined and paid into the Plan account.
- Each year 50% of the account balance was subject to forfeiture based on the achievement of a profit underpin target.
- At the end of each of the first three Plan years, 50% of the account balance was paid in cash and the balance retained and held in the Plan as notional shares.
- At the end of Year 4 for Cycle 3, any remaining balance in the Plan account is paid out in shares and a cash dividend equivalent is paid.

BBP payout mechanism



Forfeiture

For BBP Cycle 3 the CEO and CFO retained notional shares in their Plan accounts of which 50% were subject to forfeiture. Forfeiture would have been enacted if Group underlying operating profit was less than the level determined by the Remuneration Committee at the start of the year of £173m for FY24. Group underlying operating profit for FY24 was £215.2m therefore no notional shares were forfeited and the closing balance will be paid out in shares following the end of FY24.

Termination of the BBP

Following the introduction of the ABP, the BBP has been terminated and no investment made in FY24. The notional shares on account as at the end of Plan Year 3 (as identified below) will be delivered to the CEO and former CFO as actual shares with a dividend equivalent payment in June 2024.

Audited information

Vesting of Cycle 3 closing account balance

	Notional shares on account at start of Plan Year 4 (1 April 2023)	30-day average share price to 31 March 2024 (p)	Share value as at measurement (£)	Bonus plan contribution date for Plan Year 4 (£)	Dividend equivalent payment (£)	Bonus pool total value as at measurement date (£)	Gross payment in cash for Plan Year 4 (£)	Bonus pool total value after cash payment (£)	Notional shares on account at end of Plan Year 4 (31 March 2024)
CEO	322,568	364.9	1,177,147	–	25,483	1,202,534	–	–	329,551
CFO	149,658	364.9	546,147	–	11,823	557,925	–	–	152,898

Legacy Deferred Share Plan (DSP) (audited)

Termination of the DSP

Further to shareholder approval of the new Directors' Remuneration Policy at the 2023 AGM, the DSP was terminated and no award was made in relation to FY24 performance. The FY23 DSP award was 100.0% of the maximum available (125% of salary for Executive Directors); it has been deferred for three years and remains subject to a performance underpin; any vested shares are then subject to a further two-year holding period.

Details of the final FY23 DSP award, which was made on 20 June 2023, were provided in the FY23 Report. Subsisting DSP awards as identified on page 123 will continue to be available to vest on the basis of the relevant performance underpin.

The FY21 DSP award achieved the performance underpin based on the FY24 profit exceeded that in FY21 (£150.0m) and, therefore, the shares ceased to be contingent and will be released on 25 June 2024. Had the FY24 profit not been greater than FY21, 50% of the DSP award would have lapsed. The net shares vesting from the FY21 DSP must be retained for a further two years. The value of this award is shown in the single figure table for the CEO (the former CFO did not receive an FY21 DSP award). The value of the 232,746 shares vesting is £849,290 based on the 30-day average to 31 March 2024 (364.9p). The estimated value includes £51,902 as dividend equivalent payments based on an aggregate dividend of 22.3p paid in FY22 to FY24 and a share price appreciation between grant and vesting of £100,081.

Long-term Performance Award (LPA) (audited)

Performance targets for FY24

The Committee set performance measures and targets for the Long-term Performance Award with a clear link to Company strategy and incentivising growth:

- Earnings: organic underlying operating profit on a three-year cumulative basis (35% weighting)
  - Designed to deliver consistent operational performance over the longer term
  - Understood, relevant and actionable for QinetiQ senior leaders
- Returns: ROCE (35% weighting)
  - Average EBITA for the three-year period divided by average capital employed
  - Designed to drive robust investment selection and delivery
- Value creation through collaboration: total revenue growth (30% weighting)
  - Designed to drive value creation through collaboration and market leverage

For the FY24 LPA the Committee agreed the following targets aligned with our growth ambition (20% of each element vests at Threshold).

Cumulative earnings targets are deemed commercially sensitive at this time but are consistent with our growth ambition at 11-12% margin.

ROCE	Threshold 15.0%	Stretch 20.0%.
FY26 Total revenue	Threshold £1.9bn	Stretch £2.7bn.

The FY24 Target level of performance is not calculated on a linear basis and the Target is deemed commercially sensitive at this time as it is aligned to confidential Group strategy.

FY24 LPA conditional share awards were granted based on a maximum of 250.0% of base salary at a share price of 321.3p determined over a five-day period prior to grant. The three-year performance period for the FY24 award ends on 31 March 2026. Any shares which vest must then be held for a further two years.

Annual Report on Remuneration continued

Audited information

Statement of Directors' shareholding and share interests.

In relation to the shareholding requirement adopted on 1 April 2017 the Company requires Executive Directors to hold shares (beneficially owned) equivalent to 300% (CEO) and 200% (CFO) of base salary. Executive Directors have five years from the adoption of the guideline to achieve the required level through, at a minimum, retaining 50% of the after-tax shares vesting from Company incentive plans.

The CEO has achieved his shareholding requirement and currently holds shares equivalent to 335% of base salary using a share price of 354.7p (three-month average to 31 March 2024). On 27 July 2023 the CEO sold 300,000 QinetiQ shares which had vested as part of his participation in Company share incentive plans. After the share sale the CEO remained compliant with his shareholding requirement.

The former CFO was appointed during 2021 and had not achieved the minimum shareholding requirement at year-end, with a holding of shares equivalent to 0% of base salary. The post-cessation shareholding requirement will be applied to shares vesting after the termination of her employment as per Policy.

The Remuneration Committee continues to monitor compliance with the shareholding requirement.

	Shares beneficially owned	Shares subject to performance conditions	Shares not subject to performance conditions	Total share interests at 31 Mar 2024
Steve Wadey	657,308	1,164,740	544	1,822,592
Carol Borg	–	551,044	193,199	744,243
Michael Harper[1]	45,000	–	–	45,000
Shonaid Jemmett-Page	7,000	–	–	7,000
Neil Johnson	100,000	–	–	100,000
Dina Knight[2]	–	–	–	–
Ross McEwan[2]	–	–	–	–
General Sir Gordon Messenger	11,958	–	–	11,958
Steve Mogford	–	–	–	–
Lawrence Prior III[3]	–	–	–	–
Susan Searle	48,300	–	–	48,300

1 Michael Harper – Resigned 20 July 2023
2 Dina Knight and Ross McEwan – Appointed 1 March 2024
3 Lawrence Prior III – Resigned 16 March 2024

Shares beneficially owned comprise shares purchased under the Share Incentive Plan (SIP) and shares owned by the Director and any connected persons. SIP matching shares are identified as shares not subject to performance conditions. On 9 April 2024 Steve Wadey purchased 56 shares, then on 9 May 2024 he purchased a further 56 shares, through his participation in the SIP. Shares subject to performance conditions comprise awards made under the Deferred Share Plan and Long term Performance Award which remain contingent subject to the relevant performance conditions as detailed on page 123.

Carol Borg's share interests were adjusted on leaving the Company as detailed on page 123.

There have been no other changes to the shares shown above between 31 March 2024 and 23 May 2024. Notional shares held by the CEO and former CFO in the BBP Cycle 3 do not appear in the table above as they are not actual shares at 23 May 2024. However, it is anticipated that the BBP Cycle 3 shares will vest as actual shares in June 2024.

Audited information

Total scheme interests summary

Total scheme interests, including those awarded during the financial year ended 31 March 2024, are as follows.

Plan name	Date of grant	Number 1 April 2023	Granted in year (maximum potential of awards)	Vested in year	Lapsed in year	Number 31 March 2024	Share price on date of grant	Vest date
Steve Wadey								
DSP 2021	25 Jun 21	232,746	–	–	–	232,746	321.9	25 Jun 24
DSP 2022	14 Jun 22	159,198	–	–	–	159,198	302.1	14 Jun 25
DSP 2023[1]	20 Jun 23	–	251,444	–	–	251,444	330.2	20 Jun 26
LPA 2024[2]	28 Sep 23	–	521,352	–	–	521,352	321.3	28 Sep 26
		391,944	772,796	–	–	1,164,740		
Carol Borg								
Compensation Share Plan	5 Jan 22	193,199	–	–	–	193,199	258.8	5 Jan 25
DSP 2022	14 Jun 22	49,299	–	–	–	49,299	302.1	14 Jun 25
DSP 2023[1]	20 Jun 23	–	163,256	–	–	163,256	330.2	20 Jun 26
LPA 2024[2]	28 Sep 23	–	338,489	–	–	338,489	321.3	28 Sep 26
		242,498	501,745	–	–	744,243		

1 The FY23 DSP contingent share award granted on 20 June 2023 at a share price of 330.2p (30-day average to 31 March 2023) is calculated on awards of 100.0% of the maximum (125.0.% of salary) with a face value of £830,268 and £539,071 for the CEO and former CFO respectively. If the FY23 Group underlying organic profit (£169.5m) is not achieved in FY26, a minimum of 50% of the award will lapse.

2 The FY24 LPA conditional shares granted on 28 September 2023 at a share price of 321.3p (5-day average prior to grant) are calculated on the basis of 250.0% of salary with a face value of £1,675,104 and £1,087,565 for the CEO and former CFO respectively. The performance period for the FY24 LPA ends on 31 March 2026 based on the achievement of earnings, ROCE and revenue targets. Any shares which vest must be retained for a further two years.

As part of the package approved by the Remuneration Committee for Carol Borg at recruitment, it was agreed that she would receive a share award in part compensation for share awards which were forfeited on resigning from her former employer. On 5 January 2022 Carol was granted an award over 193,199 shares which will vest in three years. The QinetiQ share price used was the average closing price over the 30 days prior to the award with a value at grant of £500,000. As part of her termination arrangements, these shares will vest in full on the normal vesting date.

Carol Borg's FY22 and FY23 DSP awards will be reduced for time pro-rating and remain subject to the relevant performance underpin being met. Any DSP shares which vest will remain subject to a two-year holding period. Her FY24 LPA award lapsed on leaving on 15 April 2024.

The FY24 ABP payment will be paid 30% in shares deferred for two years. It is anticipated that these shares will be awarded in June 2024.

There have been no other changes to the interests shown above between 31 March 2024 and 23 May 2024.

Payments to past Directors and payment for loss of office (audited)

No payments were made to past Directors during the year and no payments were made for loss of office during the year.

As announced on 16 April 2024, Carol Borg stepped down from the role of Group CFO by mutual agreement and Martin Cooper will join QinetiQ to succeed Carol as Group CFO. Full details were disclosed in accordance with s.430(2B) of the Companies Act 2006 and in the FY25 Directors' Remuneration Report.

The Remuneration Committee exercised its discretion taking account of her contribution to determine that Carol should be treated as a Good Leaver in respect of a number of her incentive arrangements. The details of her remuneration following the cessation of her employment are as follows:

- Pay in lieu of her 12-month notice period. This will be paid in quarterly instalments and reduced if she secures employment.
- FY24 ABP payment based on actual results, 70% in cash and 30% in shares which will vest after two years from payment in June 2024.
- The conditional share award termed the Compensation Share Plan, awarded in part compensation for share awards which were forfeited on resigning from her former employer, will vest on the normal vesting date in accordance with the original terms of the award.
- FY22 and FY23 DSP awards, reduced for time pro-rating, subject to the relevant performance underpin being met. Vested shares will remain subject to a two-year holding period.
- No incentive payments will be paid in respect of her service in FY25 and the FY24 LPA will lapse.
- Shares vesting will be subject to the post-cessation share ownership requirement as per Policy.

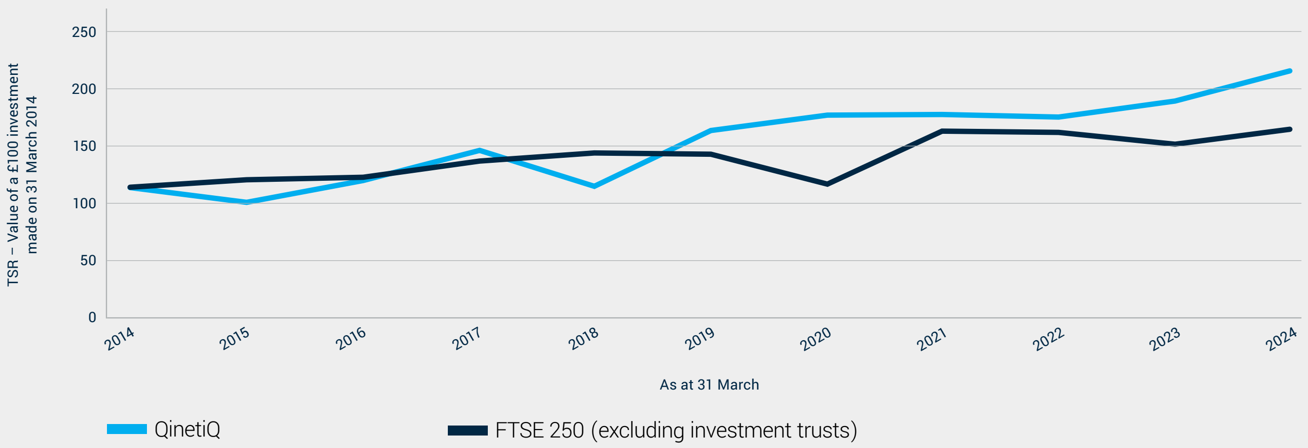
Annual Report on Remuneration continued

Performance review

The ten-year chart shows the Company's Total Shareholder Return over the period from 31 March 2014 to 31 March 2024 compared with the FTSE 250 (excluding investment trusts) over the same period based on spot values.

The Committee has chosen to demonstrate the Company's performance against this index as it is the index in which the Company is listed.

Ten-year comparator chart



Source: : Refinitiv Eikon

CEO remuneration

The table below shows the CEO's remuneration over the same performance period as the Total Shareholder Return chart (31 March 2014 to 31 March 2024):

Financial Year ended 31 March	CEO	Salary/fees	Single figure	Annual bonus (% of maximum)	Long-term incentives (% of maximum vesting)
FY24	Steve Wadey	689,160	2,928,669	85.6%	100.0%
FY23	Steve Wadey	664,126	2,164,306	98.2%	–
FY22	Steve Wadey	639,121	2,477,069	71.4%	100.0%
FY21	Steve Wadey	511,550	2,695,414	95.7%	100.0%
FY20	Steve Wadey	610,357	1,978,247	87.5%	38.4%
FY19	Steve Wadey	596,422	2,339,474	94.4%	31.7%
FY18	Steve Wadey	582,167	1,522,460	66.7%	–
FY17 (restated)	Steve Wadey	568,166	1,829,470	86.4%	–
FY16	Steve Wadey	520,219	1,654,546	85.4%	–
FY16	David Mellors	455,885	1,423,382	82.9%	–
FY15	David Mellors	501,227	1,725,960	88.6%	13.9%
FY15	Leo Quinn	469,776	673,979	–	–

CEO pay ratio

The calculation below is based on the FY24 single figure for the CEO of £2,928,669 and similar calculations for the UK workforce (i.e. 'Option A' as defined by the Companies (Miscellaneous Reporting) Regulations 2018). The Remuneration Committee chose Option A as it is the approach generally favoured by investors and GC100. The calculations for the UK workforce were performed as at 31 March 2024.

Total remuneration

Ratio of the CEO's to the pay of UK employees

Year	25th percentile	Median	75th percentile
FY24	67: 1	50: 1	38: 1
FY23	53: 1	40: 1	31: 1
FY22	67: 1	49: 1	37: 1
FY21	70: 1	52: 1	39: 1
FY20	56: 1	41: 1	31: 1

The CEO pay ratios have increased between FY23 and FY24 as a result of the lower CEO single figure for FY23 due to no DSP award vesting in the year. The Company believes that the median pay ratio for FY24 is consistent with the pay, reward and progression policies for the UK employees as the approach for all QinetiQ employees is monitored and reported to the Remuneration Committee on an annual basis.

Year-on-year movements in the CEO pay ratio are likely to be volatile due to the wide range of incentive outcomes for the CEO single figure, but the Remuneration Committee does note the ratio and will monitor long-term trends.

Total pay of UK employees

	25th percentile	Median	75th percentile
Total pay and benefits	£43,906	£58,329	£76,690
Salary component[1]	£39,711	£39,922	£70,153

1 The base salary data is impacted by the fact that the employee identified at the Median on a total pay basis had a significant overtime payment.

The Remuneration Committee welcomes the opportunity to provide this information to shareholders. The Company aims to reward all employees fairly for the success and growth they create.

Remuneration policy for all employees

All employees of QinetiQ are entitled to base salary, benefits and pension. UK and Australia-based employees are entitled to participate in the QinetiQ Share Incentive Plan. The maximum incentive opportunity available is based on the seniority and responsibility of the role. Participation in the LPA is available to Executive Directors, senior leaders and selected employees throughout the organisation.

The All Employee Incentive Scheme (AEIS) provides every eligible employee the opportunity to earn a cash bonus based on Company and personal performance. For FY24 the Company element of the AEIS was paid at an above target level of £1,138 as the profit target was exceeded. The AEIS will be operated again in FY25 and thereafter.

The Committee reviews (but does not decide) the general reward policy for all employees and any significant changes proposed. Alignment with the workforce is delivered through the Rewarding for Performance framework, including a transparent and consistent approach to the annual salary review, the AEIS to drive Company and personal performance, recognition schemes and market competitive benefits in our countries. For FY24 the Company has agreed further significant investment in the employee offering across the Group including, in the UK, addressing market relativity through providing additional base salary increases to employees ensuring they receive a fair market level of pay.

The Group Chair, the Remuneration Committee Chair, the CEO and Chief People Officer have met with the Global Employee Voice several times during FY24. Amongst other things, these meetings have discussed how executive remuneration is aligned to the broader employee offering in support of Group strategy.

Annual Report on Remuneration continued

Audited information

Single figure total remuneration for the Chairman and each Non-executive Director

Non-executive Directors' remuneration is shown as a single figure to provide an annual comparison between the remuneration awarded during the financial year ended 31 March 2024 and the preceding year.

	Fees £'000		Benefits £'000		Single figure £'000	
Non-executive Directors	**FY24**	**FY23**	**FY24**	**FY23**	**FY24**	**FY23**
Michael Harper[1]	20	65	–	4	20	69
Shonaid Jemmett-Page[2]	73	67	–	4	73	71
Neil Johnson	270	259	–	7	270	266
Dina Knight[3]	5	–	–	–	5	–
Ross McEwan[3]	5	–	5	–	10	–
General Sir Gordon Messenger[2]	73	67	–	4	73	71
Steve Mogford	67	37	–	4	67	41
Lawrence Prior III[4]	67	65	13	16	80	81
Susan Searle[2]	73	67	–	4	73	71

1 Michael Harper – Resigned 20 July 2023
2 Fees include Committee Chair fees
3 Dina Knight and Ross McEwan – Appointed 1 March 2024
4 Lawrence Prior III – Resigned 16 March 2024

Benefits include travel and subsistence expenses (grossed-up for tax) incurred in relation to the execution of their duties with the Company that are considered by HMRC to be taxable.

Lawrence Prior is a US resident and received a $4,000 fee for attending UK meetings until his resignation; as an Australian resident Ross McEwan receives a UK meeting fee of AU$8,000. UK-based Non-executive Directors are entitled to receive a £2,500 fee for attending US meetings. The fees for Michael Harper include £12,000 as Senior Independent Director until his date of resignation, when Steve Mogford was elected to this role and received this fee. For Lawrence Prior and Ross McEwan, a payment of £10,000 was paid as senior US and Australia resident Non-executive Director respectively.

Percentage change in Directors' remuneration

The following table compares the percentage change in the Director's salary/fees, bonus and benefits to the average percentage change in salary, bonus and benefits for a comparison group (4,371 employees) in the UK business in service between 1 April 2023 and 31 March 2024. The analysis only includes Directors who served for FY24 and includes the temporary salary/fee sacrifice in FY21.

	Fees £'000				Benefits £'000				Annual bonus £'000			
	FY24	**FY23**	**FY22**	**FY21**	**FY24**	**FY23**	**FY22**	**FY21**	**FY24**	**FY23**	**FY22**	**FY21**
Executive Directors												
Steve Wadey	3.8%	3.9%	24.9%	-16.2%	9.2%	21.5%	-4.3%	35.9%	-10.5%	43.0%	-22.7%	10.3%
Carol Borg	3.9%	–	–	–	1.8%	–	–	–	-10.9%	–	–	–
Non-executive Directors												
Michael Harper	-69.2%	1.6%	18.4%	-15.9%	-100%	0%	100%	–	–	–	–	–
Shonaid Jemmett-Page	8.2%	1.5%	–	–	-62.1%	0%	–	–	–	–	–	–
Neil Johnson	4.2%	3.6%	14.3%	17.1%	-77.2%	33.3%	100%	-100%	–	–	–	–
Dina Knight	100.0%	–	–	–	100.0%	–	–	–	100.0%	–	–	–
Ross McEwan	100.0%	–	–	–	100.0%	–	–	–	100.0%	–	–	–
General Sir Gordon Messenger	4.3%	–	–	–	-76.8%	–	–	–	–	–	–	–
Steve Mogford	82.4%	–	–	–	-52.7%	–	–	–	–	–	–	–
Lawrence Prior III	3.1%	–	–	–	-70.8%	–	–	–	–	–	–	–
Susan Searle	8.2%	1.5%	21.2%	-6.8%	74.8%	0%	100%	-100%	–	–	–	–
Employees												
Average UK employee[1]	7.8%	4.4%	2.9%	1.2%	-22.2%	5.7%	10.9%	-1.2%	3.0%	96.2%	-38.2%	62.2%

1 UK employees were chosen to avoid the impact of exchange rate movements over the year. QinetiQ Group plc has no employees so QinetiQ Group Ltd employees were used.

The reduction in salary and fees which the Board implemented as a waiver for six months in FY21 impacted the analysis above, as did the reduced travel and physical meeting attendance. The benefits paid to Non-executive Directors are largely travel and subsistence expenses incurred in relation to the execution of their duties with the Company that are considered by HMRC to be taxable.

Relative importance of spend on pay

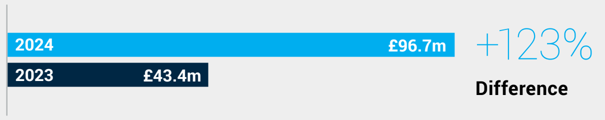
The graph below shows actual spend on all employee remuneration, shareholder dividends and buy-backs and any other significant use of profit and cash within the previous two financial years.

Total employee remuneration

The increase in employee remuneration is due to a full year of the Avantus and Air Affairs acquisitions and the FY24 UK reward interventions.

Share-based profit distribution

Dividend cash payment plus purchase of own shares (see CFO Review page 28).



Other significant profit distribution

There were no other significant profit distributions in 2023 or 2024.

Gender related pay

QinetiQ is subject to gender pay reporting for UK employees and a copy of our latest report is available on the Company's website.

Service contracts/letters of appointment

The Company's policy is that Executive Directors have rolling contracts which are terminable by either party giving 12 months' notice. The Group Chairman and the Non-executive Directors do not have service contracts but are appointed under letters of appointment. All service contracts and letters of appointment are available for viewing at the Company's registered office and at the AGM.

Non-executive Directors typically serve two three-year terms but may be invited by the Board to serve for an additional period (see table in the Nominations Committee report on page 92).

Director	Date appointed	Arrangement	Notice period
Steve Wadey	27 April 2015	Service contract	12 months
Carol Borg	11 October 2021	Service contract	12 months
Shonaid Jemmett-Page	19 May 2020	Initial term of three years from date of appointment, subject to annual reappointment at the AGM.	–
Neil Johnson	02 April 2019	Initial term of three years from date of appointment, subject to annual reappointment at the AGM.	–
Dina Knight	01 March 2024	Initial term of three years from date of appointment, subject to annual reappointment at the AGM.	–
Ross McEwan	01 March 2024	Initial term of three years from date of appointment, subject to annual reappointment at the AGM.	–
General Sir Gordon Messenger	12 October 2020	Initial term of three years from date of appointment, subject to annual reappointment at the AGM.	–
Steve Mogford	01 August 2022	Initial term of three years from date of appointment, subject to annual reappointment at the AGM.	–
Susan Searle	14 March 2014	Initial term of three years from date of appointment, subject to annual reappointment at the AGM.	–

Implementation of Policy for the year ended 31 March 2024

Fees

Non-executive Directors' fees were reviewed effective 1 July 2023 were set as follows:

- Basic fee £60,000 (was £55,000)
- Committee Chair fee £14,000 (was £12,000)
- Senior Independent Director fee £12,000 (was £10,000)

The fee increase was based on a NED fee benchmarking report provided by Mercer, and having considered the workload and contribution of the NEDs, the increase in base fee is 9.1%, which is the first increase in two years since July 2021 and is less than the increases applied to the UK workforce over FY23 and FY24.
The Non-executive Group Chair receives a fee of £273,000 per annum which was increased by 4.0% effective 1 July 2023; the increase aligned to that applied to the UK workforce over FY24.

Fees are reviewed in line with Policy.

Executive Directors are permitted to accept one external Non-executive Director position with the Board's approval. Any fees received in respect of these appointments may be retained by the Executive Director. The CEO and CFO do not hold any Non-executive Directorships in other companies.

Annual Report on Remuneration continued

	Fees effective 1 July 2023 £
Group Chairman	273,000
Basic fee for UK Non-executive Director	60,000
Additional fee for chairing a Committee	14,000
Additional fee to Deputy Chair/Senior Independent Non-executive Director	12,000
Additional fee for attendance at a Board meeting held in US by UK resident Non-executive Director	2,500
Additional fee for attendance at a Board meeting held in UK by US resident Non-executive Director	$4,000
Additional fee for attendance at a Board meeting held in UK by Australia resident Non-executive Director	AU$8,000

Implementation of Policy for the year ending 31 March 2025

At the 15 May 2024 meeting of the Remuneration Committee, a base salary increase of 4.5% (to £727,000p.a.) was approved for the CEO, effective 1 July 2024. The CEO's salary review is below the Rewarding for Performance guidance used for all UK employees which included a 5.0% budget for the July 2024 salary review plus 0.5% for in-year salary progression.

New CFO Terms of Appointment

On joining QinetiQ as Group CFO, Martin Cooper will receive:

- A base salary of £455,000 p.a. subject to review in July 2025, benefits and pension allowance aligned to Policy.
- An ABP maximum annual payment of 200% of salary and an LPA maximum annual grant of 250% of salary, as per Policy.
- As part compensation for share awards lost on resignation from his former employer, some performance dependent and others lost on cessation of employment, two awards of restricted stock will be granted as soon as practicable after joining with a total value of £900,000. Tranche 1 with a value of £550,000 will vest in March 2026; Tranche 2 with a value of £350,000 will vest in March 2027. Both vesting dates are a one year extension on the awards surrendered and conditional on continued employment.
- In addition and in part compensation for the value of other awards forfeited at his current employer, his FY25 LPA will not be pro-rated to take account of the months between the grant of the FY25 awards to other employees and his start date.

Incentives for Executives

The table below shows the measures and relative weighting for the Annual Bonus Plan for the CEO and incoming CFO:

Annual Bonus Plan	Performance measure (excluding FY25 acquisitions)	Relative weighting(%)
	Orders	15.0%
Target performance 100% of base salary	Underlying operating profit	30.0%
Stretch performance 200% of base salary	Underlying net cash flow from operations	25.0%
	Common, ESG and Personal Goals	30.0%

For FY25 the Remuneration Committee agreed to re-balance the annual incentive weightings by reducing the orders metric to 15% (FY24 20%) and increasing the cash metric to 25% (FY24 20%); profit remains at 30% weighting. The revised financial weightings reflect the need to drive profitable growth and strong cash management. The focus on ESG goals as part of the non¬financial metrics continues for FY25 with a 17.5% weighting.

For FY25, the Remuneration Committee set the target level of performance at 50% of stretch for the financial measures, common and personal goals. Details of specific performance targets for the ABP have not been provided as they are deemed commercially sensitive. The targets will be disclosed retrospectively in next year's Annual Report on Remuneration.

For FY25 the Committee has set performance measures and targets for the LPA with a clear link to Company strategy and incentivising growth:

- Earnings: organic underlying operating profit on a three-year cumulative basis (35% weighting)
  - Designed to deliver consistent operational performance over the longer term
  - Understood, relevant and actionable for QinetiQ senior leaders
- Returns: ROCE (35% weighting)
  - Average EBITA for the three-year period divided by average capital employed
  - Designed to drive robust investment selection and delivery
- Value creation through collaboration: total revenue growth (30% weighting)
  - Designed to drive value creation through collaboration and market leverage

For the FY25 LPA the Committee agreed the following targets aligned with our growth ambition (20% of each element vests at Threshold). Cumulative earnings targets are deemed commercially sensitive at this time but are consistent with our growth ambition at 11-12% margin.

ROCE	Threshold 15.0%	Stretch 20.0%.
FY27 Total revenue	Threshold £2.0bn	Stretch £3.0bn.

Remuneration Committee meetings, activities and decisions FY24

The following table provides a summary of all the key activities during the year. The attendance at each meeting is detailed on page 84. The membership of the Remuneration Committee for the whole of FY24 was Susan Searle (Chair), Neil Johnson, General Sir Gordon Messenger, Shonaid Jemmett-Page and Steve Mogford. Michael Harper and Lawrence Prior resigned from the Committee on 20 July 2023 and 16 March 2024 respectively; Dina Knight and Ross McEwan both joined the Committee on 1 March 2024.

Date	Incentives	Share awards	Governance	Salaries and resourcing
May 2023	Review of FY23 company performance and final results for BBP and DSP	FY23 DSP awards	Approve FY24 Directors' Remuneration Report 2023 Directors' Remuneration Policy	QLT base salary reviews
July 2023			AGM preparation and feedback on 2023 Directors' Remuneration Policy	
November 2023	FY24 half-year forecast		Review of QLT shareholdings Review of all-employee remuneration to ensure, inter alia, alignment of incentives and reward with culture	
March 2024	FY24 provisional results FY25 target setting		Mercer review of independence	

Remuneration Committee effectiveness review

A performance evaluation of the Committee is conducted annually. This process is described further on page 97.

Remuneration consultants

In FY23 the Committee appointed Mercer as independent adviser to the Committee to provide advice on market practice, corporate governance and investors' views. Mercer were selected by the Committee after providing ad-hoc advice in support of the design of the new Directors' Remuneration Policy and based on members' prior experience of working with them.

Fees paid to Mercer during the year for services provided were £80,165 calculated on a time-spent basis at pre-agreed rates. Mercer provides the Company with consulting advice on conditions for employees in the US and manages the UK DC pension fund. The Committee reviews the nature of the advice received from Mercer on an annual basis to satisfy itself that the advice it receives is independent and objective.

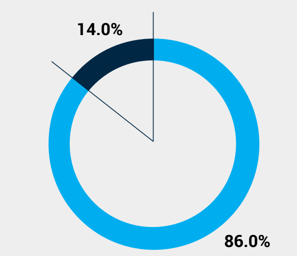
Statement of voting

Directors' Remuneration Report – 2023	
Votes for	414,786,551 (86.0%)
Votes against	67,584,010 (14.0%)
Total votes cast	482,370,561 (83.4% of share capital)
Abstained	32,213

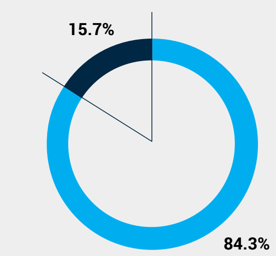
Directors' Remuneration Policy – 2023	
Votes for	406,828,507 (84.3%)
Votes against	75,547,245 (15.7%)
Total votes cast	482,375,752 (83.4% of share capital)
Abstained	26,105

Details on the voting on all resolutions at the 2024 AGM will be announced via the RNS and posted on the QinetiQ website after the AGM.

Directors' Remuneration Report 2023 % of votes (%)



Directors' Remuneration Policy 2023 % of votes (%)



Votes for
Votes against

Susan Searle
Remuneration Committee Chair
23 May 2024