Delivering enduring operational advantage

QinetiQ Group plc
Annual Report & Accounts 2024

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Protecting lives by serving the national security interests of our customers

QINETIQ

Our performance

Financial Highlights

Orders

£1,740.4m ↑1%

FY23: £1,724.1m

FY24	**£1,740.4m**
FY23	£1,724.1m
FY22	£1,226.6m

Book-to-bill ratio of 1.1x with 19% growth in orders excluding the 10 year, £260m Maritime Strategic Capability Agreement contract in FY23.

Revenue

£1,912.1m ↑21%

FY23: £1,580.7m

FY24	**£1,912.1m**
FY23	£1,580.7m
FY22	£1,320.4m

Underlying* operating profit

£215.2m ↑20%

FY23: £178.9m

FY24	**£215.2m**
FY23	£178.9m
FY22	£137.4m

Statutory operating profit

£192.5m ↑11%

FY23: £172.8m

FY24	**£192.5m**
FY23	£172.8m
FY22	£123.7m

Underlying earnings per share

29.4p ↑11%

FY23: 26.5p

FY24	**29.4p**
FY23	26.5p
FY22	20.6p

Statutory earnings per share

24.2p ↓10%

FY23: 26.8p

FY24	**24.2p**
FY23	26.8p
FY22	15.7p

* Definitions for the Group's 'Alternative Performance Measures' can be found in the glossary. Underlying operating profit refers to operating profit from segments. See note 2 for details .

Operational Highlights

Experimentation and technology

DragonFire

Achieved the UK's first high-power firing of a laser weapon against aerial targets using our advanced coherent beam-combining technology.

Robotics and autonomous systems

Robotic Combat Vehicle

More than $30m orders won in Robotic Combat Vehicle (RCV) Portfolio Programs and selection by US Army for Phase I, Platform Prototypes as part of Oshkosh Defense Consortium.

Engineering services and support

Engineering Delivery Partner

Continuing to deliver customer benefits, we secured a further £472m of orders through this UK Defence Framework contract, taking orders over the first five years to £1.5bn.

Test and evaluation

Formidable Shield '23

Successfully facilitated the Formidable Shield exercise designed to test ballistic missile defence capabilities of NATO and partner nations.

Cyber and information advantage

TARS

Awarded $170m contract by U.S. Department of Homeland Security (DHS) to deliver the Tethered Aerostat Radar System (TARS) program.

Training and mission rehearsal

JATTS

Our Air Affairs team has seen a 24% increase in demand in flying hours through the Joint Adversarial Training and Testing Services (JATTS) contract for the Australian Defence Force.

Neil Johnson
Non-executive
Group Chair

Delivering value for our customers, people and shareholders

//QinetiQ continues to provide critical expertise, protecting lives by serving the national interest of our customers – I'm proud of the important role we play in national defence and security, helping to make the world a safer place.//

We continue to see unrest and conflict across many regions of the world, demonstrating the important role of the defence sector. QinetiQ is critical to national defence and security, delivering world-class engineering and technology through our committed and inspirational people.

Alongside our customers, we continue to witness the remarkable pace of change of modern warfare. Such structural change, coupled with escalating tensions, has resulted in unprecedented levels of funding. In April, the UK Government announced an incremental £75bn of defence spending, the 'biggest strengthening of our national defence in a generation', with defence spending set to rise to 2.5% of GDP by the end of the decade. Such commitment, and transatlantic recognition of the requirement for greater investment, transcends party politics. It is increasingly apparent that we are at a turning point in terms of global security, with the consequences of inaction potentially catastrophic. Within this context, I am extremely proud of the critical and unique role we have in developing, testing and assuring cutting-edge systems that give our customers advantage on the battlefield. This, combined with the work we do to train our customers to use those enhanced sovereign defence capabilities in the land, sea, air, cyber and space domains, ensures they are able to protect and enhance their defence and security.

We have a clear and relevant strategy to drive meaningful outcomes for our customers, growth and opportunity for our people, and significant returns for our shareholders.

We continue to see increased demand for our six distinctive offerings with particularly strong progress in EMEA Services. Budget delays and market uncertainty has impacted the speed of growth in the US over the past year; whilst this was an area of risk identified at the point of the Avantus acquisition it has been challenging to offset these delays, impacting the overall Global Solutions segment this year. Despite these setbacks, at a Group-level we once again achieved good revenue growth and stable margins and remain confident in the future prospects of the business, which is well aligned to the planned structural growth areas of defence spending.

As a Board we continue to actively engage in the refinement and iteration of Company strategy – at our October 2023 Board meeting we engaged external experts from our main customers, partners and academia to review and consider the 10+ year view of the Company and its strategic direction. As part of this we remain focused on delivering for our customers, people and shareholders; both organically, and once current acquisitions are proven, with further acquisitions.

Delivering for our customers, people and shareholders

We understand that excellent customer relationships are critical to our success. Ensuring we retain an engaged and committed workforce helps us to meet and exceed customer expectations. We actively engage as a Board with our people, and this year have enjoyed extensive interactions with our colleagues in Australia, the UK and the US, including a number of site visits.

I'm delighted to have engaged directly with a large number of shareholders in the last year, either via one-to-one meetings or through the completion of our Shareholder Perception Audit – all of these engagements have helped me and the Board to understand the views of our UK, US and European shareholders to shape our thinking and decision-making. We are pleased to demonstrate our balanced capital allocation policy with the commencement of the share buyback and, reflecting our confidence in the future, an increase in our progressive dividend growth rate from 5% to 7%. The buyback represents an attractive use of our capital to drive shareholder value whilst maintaining the financial flexibility to invest in the ongoing execution of our strategy to deliver sustainable growth and attractive returns.

Sustainability remains an important area for consideration and debate, both within the business and at Board-level. In the past year we have retained our rating as a top-rated ESG company by Sustainalytics and our AA rating from MSCI. We have identified the most material issues for our business and monitor these as non-financial KPIs, where we are pleased to have seen improvements across safety (lost time incidents), employee engagement and Scope 1 and 2 greenhouse gas emissions.

Board changes

On 16 April we announced that Carol Borg, Group Chief Financial Officer (CFO) would be stepping down immediately from her role. In her place we have appointed Martin Cooper and he is expected to join the QinetiQ Board no later than October. Martin is a qualified chartered accountant and has more than 25 years' experience leading multi-disciplinary teams in senior finance roles. He joins QinetiQ from BAE Systems where he held a number of positions including UK & Rest of World Financial Controller, Divisional Finance Director and most recently Investor Relations Director.

To enable a smooth transition in the interim period prior to Martin joining QinetiQ, Heather Cashin, currently the Group Financial Controller, has been appointed Interim Group CFO. David Smith, former Group CFO of QinetiQ, has agreed to provide advice and support services to Heather and the Board during the interim period.

In addition to the above, a few months ago I was delighted to announce two new Board appointments which further strengthens the breadth and depth of skills on the Board: Ross McEwan CBE and Dina Knight both joined the Board on 1 March 2024.

Ross has been Chief Executive Officer and Managing Director of National Australia Bank Limited (NAB) since December 2019 and will retire from NAB on 1 July 2024. Ross brings extensive global business experience at the highest level and his successful track record is recognised in both the UK and in Australia. Dina is Chief People Officer of global technology services and solutions provider Datatec Group and Logicalis International, accountable for its people operations and strategy. Dina is a seasoned HR professional and will bring a broad spectrum of corporate strategic experience to the role.

Susan Searle will remain as Chair of the Remuneration Committee for the time being to provide an extended handover to Dina, after which Susan Searle will step down as a Non-executive Board member. I would like to thank Susan for her invaluable contribution to both the Board and the QinetiQ Group.

Larry Prior took the decision to step down from the Board to be able to devote his time and focus to another corporate role. Larry's thoughtful advice and guidance to the Board and the business will be missed. During the coming year we will be looking at options for bringing a US perspective back onto the Board. Overall I am confident we have the right mix of skills and experience on the Board to provide effective challenge and support to the business as it continues its global growth.

Whilst not Executive-level appointments, I am also pleased to see the QinetiQ Leadership Team develop further, with the appointment of Iain Stevenson to the newly created role of Chief Operating Officer, and Will Blamey, as Chief Executive of our UK Defence sector. The new role of Chief Operating Officer will provide increased focus on the delivery of consistent operational performance across the Group as we continue to scale and grow.

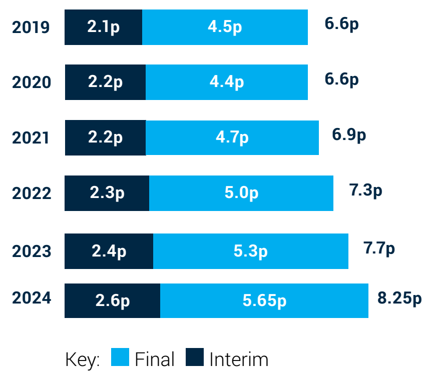
Finally, I would also like to take this opportunity to thank Steve Wadey, our Group CEO, and all of the QinetiQ leaders and employees for pulling together to deliver for our customers and shareholders.

Looking ahead

We are well placed to deliver our long-term growth and returns ambitions, with good customer relationships, strong employee engagement and positive support from shareholders for our strategy. I remain hugely impressed by the commitment, determination and focus of our people, living our values of Integrity, Collaboration and Performance on a day-to-day basis, making a real difference to defence and security around the world.

Neil Johnson
Non-executive Group Chair
23 May 2024

Historical dividend payments



Steve Wadey
Group Chief Executive Officer

Strong Group performance

//We enter this year with strong momentum and increasing spending in our major markets, which gives us confidence to increase our guidance for FY25 and underpin our FY27 outlook of c.£2.4bn organic revenue at c.12% margin.//

We have delivered strong overall Group financial results, against the background of difficult market conditions in the US.

These results have been achieved through the outstanding skills and capabilities of our people working in partnership with our customers and supply chain. The world is experiencing the highest and most rapidly evolving threat environment for a generation and our teams have continued to deliver our highly relevant services and products, critical to enduring national defence and security priorities.

Since launching our strategy in 2016 to build a disruptive and uniquely integrated global defence and security company, we have grown our revenue by more than 2.5x, doubled earnings and now have more than 8,500 highly-skilled people across 60 sites globally. Our depth and breadth of expertise across the defence and security lifecycle helps our customers to rapidly create, test and use capability to stay ahead of the threat. Our cutting edge technology and innovation, allied with world leading expertise in science, technology and engineering, is critical to enabling our customers' mission.

Our strategy is structurally aligned and focused on enabling the shared security mission of our Australian, United Kingdom and United States (AUKUS) customers and their allies. Our six distinctive offerings[1] are highly relevant to the rapidly changing character of warfare and aligned to our customers' high-priority areas that are attracting increasing defence and security spending, most notably in Research & Development (R&D), Test & Evaluation (T&E), Training & Mission Rehearsal and Cyber & Intelligence.

For our people, we've made significant progress creating an environment where they can all thrive, with our highest ever level of employee engagement achieved this year. Having a highly skilled and engaged team, with an inclusive culture, enables us to deliver for our customers' mission with even greater agility and pace.

For our shareholders, we are focused on continuing disciplined execution of our strategy and are on-track to deliver our FY27 outlook of c.£2.4bn organic revenue at c.12% margin. With a strong balance sheet and enhanced focus on disciplined capital allocation, we are well positioned and have a clear strategy with optionality for investment in sustainable growth and further shareholder returns.

Performance in the year

We delivered another year of strong overall Group operational and financial performance. Revenue growth was 21%, or 14% on an organic constant currency basis and underlying operating profit grew by 20%, or 16% on an organic constant currency basis, with stable margin at 11.3%. We continued our track record of high cash generation with underlying cash conversion at 104%, contributing to the reduction of our leverage (net debt to EBITDA) from 0.8x to 0.5x. Order intake achieved a record high of £1.74bn, with a book-to-bill of 1.1x and an order backlog of £2.9bn. As part of our enhanced capital allocation policy, we launched a value accretive £100m share buyback programme and have increased the growth rate of our progressive dividend from 5% to 7%.

EMEA Services

EMEA Services delivered excellent growth, achieving 19% organic revenue growth with stable margin at 11.5%. This performance was driven by the strong execution of prior year orders and consistent operational delivery on our long-term contracts.

In the UK, service delivery partnerships remain the bedrock of our offering. Our large long-term Engineering Delivery Partner (EDP) contract has now delivered more than £1.5bn of orders since inception, enabling capability and sustainment of the majority of UK military systems; and we signed a Principles Agreement with UK MOD to extend the Long Term Partnering Agreement (LTPA) to 2033, where we test, trial, train and evaluate (T3E) national defence and security capabilities critical to mitigating global threats. Both of these contracts make a meaningful contribution to the sustainable performance and returns generated by EMEA Services. In addition, to accelerate the production of mission data for

the Royal Air Force, the SOCIETAS transformation programme has achieved full operating capability three months early. Also, in the UK we commenced support of the new AUKUS submarine programme through initial tasking as a capability partner. In Australia, as a leading provider within Team Nova, we secured a three year extension to our Managed Service Provider (MSP) contract to provide technical advisory services in support of the Australian Capability Acquisition and Sustainment Group; and we continue to successfully develop the high energy defensive laser system prototype in collaboration with the Defence Science and Technology Group. In Germany, we signed a significant, multi-year contract to provide aerial training and mission rehearsal services for their Armed Forces.

Strategic achievements include:

- **Formidable Shield for NATO –** Over three weeks in May 2023 at UK MOD Hebrides, we hosted Formidable Shield 23, one of the world's largest and most complex tests of naval and missile defences. The exercise saw over 20 ships, 35 aircraft, and nearly 4,000 allied military personnel from 13 NATO nations come together to test military platforms, missiles, and sensor systems against representative threat scenarios in realistic live-fire mission rehearsal exercises.
- **DragonFire for the UK –** In collaboration with the UK's Defence Science and Technology Laboratory (Dstl), MBDA and Leonardo, we demonstrated the capabilities of our world-leading beam combining technology with the UK's first high-power firing of a laser weapon against aerial targets. Subsequently, the MOD has recently announced that the cutting-edge DragonFire laser directed energy weapon system will be installed on Royal Navy warships for the first time from 2027, far sooner than previously envisaged.
- **Joint Adversarial Training and Testing Services (JATTS) for Australia –** The JATTS contract supports our ambition to double the size of the Australian business over the next four years through training support to the Australian Defence Force with 'enemy' force aircraft and aerial targets. In the year we achieved a 20% increase in aircraft flying hours and 90% more aerial target missions than originally planned. A notable highlight was providing our threat representation services into the Talisman Sabre training exercise involving 13 allied nations and involving 30,000 military personnel.

With strong visibility, and a pipeline of significant opportunities, our confidence remains high that EMEA Services will continue to support the sustainable growth of the Group.

Global Solutions

Global Solutions was impacted by difficult market conditions in the US, with recent headwinds including one of the longest periods of Continuing Resolution on record. Overall, revenue was up 23%, declining 3% on an organic basis, with margin remaining stable at 10.5%.

Avantus delivered a high single digit revenue decline over the course of the year. However, the business achieved modest revenue growth in the second half, with double digit margin and cash conversion of c.100% over the full year. With the integration now complete, the benefits of Group synergies are now being realised with $977m of total contract awards during the year and a funded book-to-bill of 1.2x. We remain confident of Avantus delivering value for shareholders and expect mid-single digit growth in FY25 before returning to double digit growth in FY26. Notable contract awards include a $170m five year Tethered Aerostat Radar System (TARS) contract providing surveillance operations along the southern border of the US and its territories, a $126m five year contract to provide technical, professional, and support services to the Office of the Secretary of Defense Strategic Capabilities Office (SCO), and a $224m, five year, firm fixed price contract with the US Space Development Agency (SDA) to provide systems engineering and technical assistance support needed to deliver the Proliferated Space Warfare Architecture.

Revenue in the rest of Global Solutions was broadly flat for the year, due to the loss of the Optionally Manned Fighting Vehicle (OMFV) opportunity. We also saw the planned production ramp down of the Common Robotic System – Individual (CRS-I) small ground robots in the US, offset by QinetiQ Target Systems (QTS) achieving its highest ever production levels within the year in the UK. A significant step forward in the year was the successful certification of our Banshee target by the US Threat Systems Management Office, enabling market entry and opening up growth opportunities in FY25 and beyond.

Formidable Shield

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DragonFire

UK MOD Crown Copyright 2024

JATTS

£1.9bn
FY24 revenue

11.3%
FY24 operating profit margin[2]

104%
FY24 cash conversion

1: Our six distinctive offerings are: Experimentation and Technology, Robotics and Autonomous Systems, Engineering Services and Support, Test and Evaluation, Cyber and Information Advantage, Training and Mission Rehearsal

2: Underlying operating profit margin refers to operating profit from segments

Strategic achievements include:

- **Tethered Aerostat Radar System for the US –** We were awarded a five year $170m TARS contract as a Prime System Integrator to the Department of Homeland Security providing persistent surveillance operations and sustainment along the southern border of the US and its territories. Upon award, we successfully transitioned eight operational sites in six weeks, hired 229 employees, negotiated union agreements, and the management of all critical services providers. We are on track to secure more than 10% on-contract growth in FY25 through expanded mission scope and capability enhancements, and have identified c.50% on-contract growth opportunities over the life of the programme.
- **Robotic Combat Vehicle Light (RCV-L) for the US –** Working alongside Oshkosh Defence, we were one of four awardees for the RCV-L full scale prototype contract from the US Army, following successful operational trials. The RCV-L solution works directly with warfighters on the ground providing an intelligence and reconnaissance platform used for forward scouting with the ability to carry lethal payloads. The prototype contract positions us well to compete for our share of the future development and production phases worth up to $500m.

TARS

The appearance of U.S. government visual information does not imply or constitute U.S. government endorsement.

RCV-L

NGABS

- **Next Generation Advanced Bomb Suits (NGABS) –** A five year, $83m contract for the testing and production of over 700 next generation advanced bomb suits for the US Army, demonstrating our ability to leverage our R&D into core capability.

With an attractively positioned portfolio of high priority capabilities, and the integration of Avantus complete, we are confident that Global Solutions is well placed to deliver a meaningful contribution to our FY27 organic revenue target of c.£2.4bn.

Aligned with high priority needs

Global tensions continue at elevated levels. In the Middle East, Houthi forces attempt to disrupt world supply lines and broaden the Yemeni civil war, whilst Iran has escalated the Israel-Hamas conflict, and Russian forces remain entrenched within Ukraine. China continues to provide a destabilising influence, notably in the Indo-Pacific, as does North Korea and transnational terrorist networks. As a result, Australia, the UK and the US, through the AUKUS security pact, and with their 5-Eyes and NATO allies, continue to review their evolving defence and security capabilities and investment priorities.

Given this heightened threat environment, levels of defence spending are expected to increase over the long-term. In the US, the Research, Development, Test and Evaluation (RDT&E) budget is the largest ever at $145bn[3]. Governments in the UK and Australia intend to increase defence spending to c.2.5% of GDP over the long-term, with the UK ring-fencing 5% of the defence budget for R&D and 2% for exploitation. In total, our addressable market is estimated to be greater than £30bn[4] per annum. More broadly, a record 18 member countries are now set to meet NATO's target of spending 2% of their economic output on defence and security this year, a marked increase from 11 out of the 31 members a year ago.

These investment priorities are driving increasing spending in high-priority areas such as R&D, T&E, Training & Mission Rehearsal, and Cyber & Intelligence, to enable our customers to maintain and develop technological superiority in areas such as robotics, autonomy, directed energy, hypersonics, integrated sensing, cyber, advanced data analytics and artificial intelligence. We remain at the forefront of the adoption and integration of these new and emerging technologies with traditional defence capabilities, providing enhanced inter-operability between allied systems and enhancing our customers' operational effectiveness.

3: IN12209 (congress.gov)

4: Sources: Jane's Market Budget Forecast March 2023, UK MOD and US DOD forecasts, Australia Defence publications, QinetiQ estimates

A combination of our global reach and alignment to these high-priority high-growth areas provides confidence in the Group's ability to deliver organic revenue growth at double the rate of growth of national defence budgets, as we have done consistently over the past five years.

Clear strategy delivering

At this time of heightened geopolitical uncertainty and conflict, our purpose has never been more relevant: protecting lives by serving the national security interests of our customers. With a unique customer value proposition to rapidly create, test and train effective use of capability, we enable our customers to respond to their national and global security needs and counter the increasing threat at pace.

With a clear purpose and strategy, the Group is well positioned to deliver sustainable shareholder value. Our strategy has three inter-related components:

1. Delivering six distinctive and mutually supportive offerings: We co-create high-value differentiated solutions for our customers in experimentation, test, training, information, engineering and autonomous systems;
2. Applying disruptive and innovative technology and business models: We invest in and apply disruptive business models, digitisation and advanced technologies to enable our customers' operational mission at pace; and,
3. Leveraging those capabilities across our global operations: We are developing an integrated global defence and security company that leverages our capability in the UK, the US, Australia, Canada and Germany.

The disciplined execution of our strategy is building a global platform and delivering sustainable growth, underpinning our FY27 outlook to deliver c.£2.4bn organic revenue at c.12% margin. Our focus on our customers' high-priority areas, specifically Research and Development (R&D), Test and Evaluation (T&E), Training & Mission Rehearsal, and Cyber & Intelligence, provides confidence in our high single digit revenue growth guidance and is why our growth outpaces headline defence spending. Our strategy is further underpinned by a record order intake of £1.74bn with a backlog of £2.9bn, and an exceptionally strong pipeline of future growth opportunities worth more than £11bn over the next five years.

Disciplined capital allocation

Our strategy to deliver long-term sustainable growth is underpinned by an enhanced focus on disciplined capital allocation and execution. Given the highly cash generative nature of the Group, as well as the strength of the balance sheet, we continually assess the best risk adjusted opportunities to deploy capital to support shareholder returns.

Capital allocation policy

Invest in our organic growth	Complement with value accretive acquisitions	Provide a progressive dividend to shareholders	Return excess cash to shareholders

We are continuing to invest in value accretive organic growth, with a focus on our people, technology and capability. This will be complemented by value accretive bolt-on acquisitions in time, following strengthened delivery and performance of our US platform and growth of Avantus.

Reflecting our confidence in the future prospects of the business, we have increased the growth rate of our progressive dividend from 5% to 7% and are returning excess cash to shareholders through the £100m share buyback programme announced in January.

Our strengthened balance sheet provides optionality for investment in growth and further shareholders returns.

Sustainability

In delivering our strategy, the single biggest contributor will be our people. Their safety, wellbeing and motivation is essential for our success.

We measure employee engagement each quarter and I was delighted that at the end of this year we achieved our highest ever employee engagement measure since introducing this metric five years ago. Since its introduction we have improved employee engagement by 19% and the loyalty measure by 25%, a fantastic achievement and symbolic of the inclusive culture we are growing.

We were deeply saddened by the fatal crash involving two aircrew on-board one of our PC-9 aircraft in the Neuenstein area of Germany whilst on a customer training exercise in September 2023. Our thoughts remain with the families and close colleagues. Although the formal investigations into this accident are ongoing, we do not believe that there was any contributory fault by the company.

We continue to make good progress on our Net-Zero plan. Our Scope 1 and 2 emissions have now reduced by 33% against our re-baselined FY20 base year, including a c.8% reduction in FY24, whilst some elements of our Scope 3 emissions, such as business travel, have increased as we have grown globally. With our strong focus on our Environmental, Social and Governance (ESG) agenda, we are ranked as one of the top ESG companies in the defence and security sector by Sustainalytics and we have retained our AA rating from MSCI.

Leadership changes

At the start of April, we announced that Carol Borg, Group CFO, and the Board together agreed that Carol would step down from her role. The Board and I were delighted to announce the appointment of Martin Cooper as Group CFO. Martin is a qualified chartered accountant with more than 25 years' experience leading multi-disciplinary teams in senior finance roles and is expected to join QinetiQ no later than October. To enable a smooth transition prior to Martin joining, Heather Cashin, previously Group Financial Controller, has been appointed Interim Group CFO.

Also in April, I was delighted to announce the appointment of Iain Stevenson to the newly created role of Chief Operating Officer. As an experienced senior business leader having previously led large business divisions in the defence and construction sectors, his skills will strengthen the delivery of consistent operational performance across the Group as we continue to scale and grow.

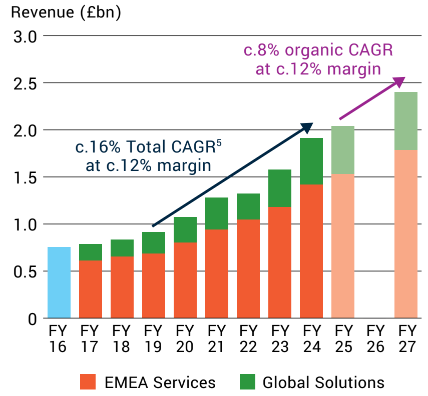
Finally, I was extremely pleased to confirm the internal promotion of Will Blamey to Chief Executive UK Defence. Will has played a critical role leading the successful development and delivery of major programmes, such as the LTPA.

These appointments will add strength and depth to our leadership team and further enhance our capabilities to execute our plan for sustainable growth.

FY25 guidance increased and on-track to deliver FY27 outlook

We enter FY25 with strong momentum, a healthy order book and increased visibility, with 64% revenue under contract. We expect FY25 to deliver high single-digit organic revenue growth, compared to FY24, at a stable operating profit margin.

We are on-track to achieve c.£2.4bn organic revenue at c.12% margin by FY27.



5: Compound annual growth rate

This will deliver an attractive return on capital employed at or above the upper end of the 15-20%+ range.

Cash conversion will remain high at 90%+, with capital expenditure within the £90m to £120m range. Our strengthened balance sheet provides optionality, through disciplined deployment of capital, for bolt-on acquisitions to compound growth at 11-12% margin and further shareholder returns.

Summary

I am pleased with the significant progress we have made in FY24, delivering another year of strong Group operational and financial performance with stronger growth in EMEA Services and stable performance in Global Solutions. The company is well positioned with a clear strategy, underpinning our confidence in delivering sustainable growth and attractive returns for our shareholders.

Our strategy and distinctive offerings are uniquely relevant to our customers' mission within the current heightened threat environment. Everything we do is about delivering on our purpose: protecting lives by serving the national security interests of our customers. Our purpose continues to connect us all, giving us a sense of focus, direction and pride. We look forward to continuing to deliver for the benefit of all our stakeholders in the coming years.

Steve Wadey
Group Chief Executive Officer
23 May 2024

Our strategy is increasingly relevant to respond to market dynamics

Our purpose

Protecting lives by serving the national security interests of our customers

Our vision

The chosen partner around the world for mission-critical solutions, innovating for our customers' advantage

Mission-led innovation

Customer-focused growth strategy

Global leverage	Distinctive offerings	Disruptive innovation
Build an integrated global defence and security company to leverage our capability through single routes to market in the UK, the US, Australia, Canada and Germany.	Co-create high-value differentiated solutions for our customers in experimentation, test, training, information, engineering and autonomous systems.	Invest in and apply disruptive business models, digitisation and advanced technologies to enable our customers' operational mission at pace.

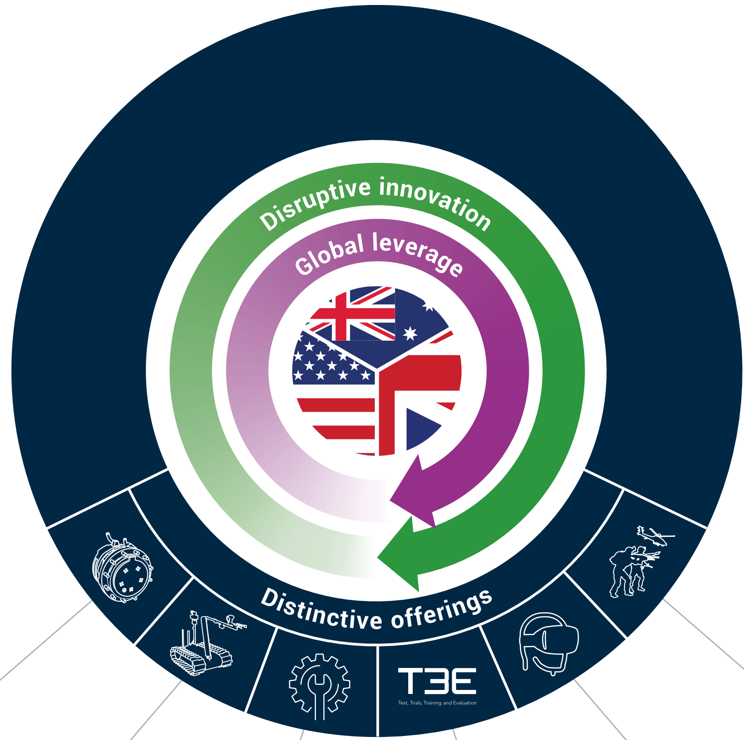
Creating a safe and secure environment for us all to thrive

Our values		
Integrity	Collaboration	Performance

Our behaviours		
Listen	Focus	Keep my promises

We deliver safely, responsibly and sustainably for the benefit of all our stakeholders

Customer focused growth strategy aligned with AUKUS shared mission



Experimentation and technology

QinetiQ collaborates with customers and partners to explore innovative technology solutions that solve our customers' complex problems. We bring together a wide range of experts to deliver new, fully assured capabilities that provide mission advantage.

Robotics and autonomous systems

QinetiQ develops, tests, evaluates and supplies trusted robotic and autonomous systems across land, sea and air domains.

Engineering services and support

Working alongside a large network of suppliers, QinetiQ uses its innovative approach and deep understanding of customer requirements and existing systems to provide our customers with reliable technical advice and support, through all phases of procurement and systems engineering.

Test and evaluation

QinetiQ leverages unique skills, data and facilities to test and evaluate the performance of military systems. This provides assurance for our customers that their equipment and platforms will work effectively when needed in demanding environments and threat scenarios, helping to reduce operational risk and through-life cost.

Cyber and information advantage

QinetiQ innovates with a broad range of partners across leading-edge sensor technologies, data processing, advanced analytics, cyber and artificial intelligence to use data and information in a more effective way.

Training and mission rehearsal

QinetiQ combines engineering expertise, operational know-how and leading-edge technologies to deliver physical and virtual training exercises to support operational readiness and mission rehearsal.

Our business model

Sources of value

Our customer relationships

- **Understanding our customers' mission** We invest time in gaining a broad and deep understanding of our customers' mission, operations and challenges.
- **Gaining insights from operations** Through our training and mission rehearsal activities and in-service support experience, we gain unique and valuable insights into the operational context.
- **Collaborating and co-creating solutions** We put the customer at the heart of what we do. Collaborating with our customers, we innovate at pace and co-create value for money solutions.

Our skills and knowledge

- **Deep technical expertise and know-how** Our highly skilled scientists and engineers apply their world-leading technical and domain expertise to deliver evidenced-based solutions, services and intelligence to our customers.
- **Understanding of threats and environments** Our capability to replicate realistic and dynamic threat environments enables us to evaluate system performance across the domains of cyber and information, land, maritime, air and space.
- **Broad knowledge of existing and emerging technologies** Our world leading experts apply their scientific and engineering knowledge across existing and emerging technologies, harnessing them for the benefit of our customers.

Our partner relationships

- **Small to medium sized enterprises (SMEs)** In all our home countries, we have established relationships with a large network of SMEs, drawing on their specialist expertise and services to deliver value, agility and innovation.
- **Universities and research institutions** We actively engage and team with universities and research institutes to undertake collaborative research and development of new operationally relevant technologies.
- **Large defence and non-defence technology enterprises** We frequently form teaming relationships with a variety of large defence and non-defence companies, collaborating to deliver cutting-edge solutions to our customers.

Our tools and techniques

We invest in and maintain specialist tools such as facilities, aircraft, test ranges and software:

- **Test facilities, aircraft and ranges** We operate some of the most advanced facilities and land, sea and air ranges in the world and manage live-fire exercises and rehearsals combined with digitally enabled infrastructure.
- **Datasets and models** We maintain and create extensive datasets and models to support the performance and evaluation of defence and security capabilities.
- **Digital engineering, innovation and transformation** We apply digital engineering techniques to accelerate innovation, improve efficiency and create new defence and security capabilities for our customers.

Value we create

Create It
Developing cutting-edge technology and rapidly turning it into capability

Test It
Assuring a capability will work when it is critically needed

Use It
Ensuring our customers are trained and operationally ready

Delivering enduring operational advantage

Value we deliver

Our customers

Using our world-leading expertise we help our customers fulfil their defence and security needs. We are critical to the development, testing and assurance of cutting-edge systems and technologies essential to our customers' ability to maintain operational advantage.

Our ability to add considerable value to customers was perhaps best demonstrated during Formidable Shield, with in excess of 20 ships, 35 aircraft, and c.4,000 Allied military personnel, from 13 NATO nations, involved in the test of missile defence capabilities.

Image courtesy of UKMoD Crown Copyright & LPhot Bradley

Our shareholders

By focusing on our customers' needs and ensuring a disciplined approach to the management and governance of the Company, we aim to deliver sustainable and attractive returns to our shareholders.

We engaged with our shareholders during the year through both physical/virtual roadshows, results presentations, the AGM and an Investor Day. Our Chair also engaged with shareholders to proactively seek their views on QinetiQ. This engagement was fundamental in the decision to instigate a £100m buyback programme.

Our people

We are developing a culture that enables sustainable growth across our global business and supply chains. With world-leading engineers, scientists and technologists employed at QinetiQ we are focused on a high performance environment where all can thrive and deliver.

This year we achieved the highest employee engagement score to date and delivered a breadth of development and growth opportunities for our people.

Our partners

We forge partnerships with industry and academia to address the challenges of the current threat environment with agility. We form complementary partnerships to deliver the most effective solutions for our customers by, often managing large networks of small and medium-size enterprises.

Supporting UK Home Office Accelerated Capability Environment (ACE), we continue to lead the Vivace Community consisting of over 350 organisations (75% SMEs and academia) to deliver cross-government impact at pace.

Our communities

We aim to make a positive contribution to the communities where we work. Our people volunteer and we support a number of charities across all our markets. We work with Armed Forces organisations and those which are aligned with the development of technology and STEM skills.

Working with our Partner the Jon Egging Trust we have delivered interactive workshops to provide young people with insights into the range and value of apprenticeships (page 51).

Our environment

We play our part in tackling climate change by reducing our greenhouse gas emissions. We are also developing and delivering solutions for our customers to support their sustainability ambitions.

During the year we ran energy saving campaigns to help employees understand how to plan their part in our Net-Zero programme. (page 34).

Investment case

Aligned strategic markets

Our business operates in global defence and security markets which are seeing significant spending increases; furthermore our capabilities are well aligned with those areas that are growing faster than their overall defence budgets:

- We are aligned to higher growth areas of the defence budgets, including sensors, communications, cyber, electronic warfare, autonomy and artificial intelligence
- We are a key partner to nations with shared defence and security interests, most significantly in the UK, Australia and the US, known collectively as AUKUS
- Our total addressable market is worth more than £30bn

>£30bn
addressable market

High single-digit
organic revenue growth to FY27+

Increasingly threat relevant

We have unique capabilities around the world critical to maintaining national defence and security, well aligned with customer priorities:

- Unique position in the defence ecosystem, often in-between and alongside the end-customer and the prime equipment providers
- Involved across the lifecycle of defence systems, from early-stage research and development, through engineering services and support, complex test and evaluation capabilities, provision of advanced mission rehearsal, cyber security and data analytics and select niche defence and security products
- Key partner to sovereign nations providing world-leading technical expertise and state-of-the-art facilities, trusted by national defence agencies, with decades of project history and specialist capabilities
- A leader in advanced technologies with the ability to partner across industry and academia to deliver innovation at pace for our customers

£2.9bn
backlog underpins long-term revenue visibility

c.8,500
highly skilled employees

Strong operational performance

Our business has attractive financial characteristics supported by a strong balance sheet which enables us to invest and realise our long-term growth ambitions:

- Long-term contracts and repeatable business: predictable and strong revenue visibility
- Asset-light and cash-generative business model supports organic investment to drive future growth: organic investment funded from operating cash flow
- Strong balance sheet and clear capital allocation policy – investment to drive long-term growth
- Progressive dividend policy and buyback programme

90%+
cash conversion

21%
return on capital employed

Investing in sustainable growth

QinetiQ has taken a proactive focus on ESG for many years and is uniquely placed to help our partners and customers achieve Net-Zero through effective use of technology:

- No exposure to controversial weapons
- AA Rated by MSCI and Top-Rated ESG company by Sustainalytics
- 33% reduction of our Scope 1 and Scope 2 emissions against our re-baselined FY20 base year
- Unique position to help our customers meet their ESG targets through advancements in technology

AA-rated
by MSCI

Top-rated ESG company
by Sustainalytics

Themes driving market growth

Themes reshaping defence markets around the world

We are operating in an environment where there is an increasing threat of wider global conflict. This follows Russia's full-scale invasion of Ukraine; the threat posed by China's growing military power, coupled with its push to change global norms and potentially threaten its neighbours; and the Israel-Hamas conflict increasing further tension in the Middle East and threatening wider escalation in the region. These conflicts and ongoing tensions come at a time when many countries are holding national elections and this could potentially compound global uncertainty.

In parallel, rapidly emerging and evolving technologies continue to disrupt traditional business and society with both positive and negative outcomes including the creation of unprecedented vulnerabilities.

To meet these increasing challenges, Australia, the UK, the US and their allies continue to review their evolving defence and security capabilities and are increasing spending in high-priority areas aligned with our strategy.

How are defence and security markets changing?

Rising global tensions and increasingly complex threats

The threat environment continues to become increasingly complex, fuelled by rapid advances in technology and heightened geo-political tensions. From hypersonic missiles and advanced fighter jets to low-cost consumer drones adapted to cause harm, technological advances have enhanced the lethality of threats at both ends of the spectrum, giving both state and non-state actors access to capabilities that have the potential to undermine Western superiority. In addition, digital-based threats continue to grow in sophistication and are often deployed in conjunction with more conventional capabilities.

Need for advanced capabilities, information advantage and better inter-operability

Maintaining technological superiority is critical in this increasingly complex threat environment. Our customers are investing heavily in R&D to develop next-generation capabilities and ensure informational advantage. Areas such as robotics, autonomy, advanced data analytics, artificial intelligence and novel weapons are all of particular interest to our customers. These new and emerging technologies must be integrated with traditional defence capabilities, and across our markets, there is a need for greater inter-operability between platforms and systems to enhance operational effectiveness. This extends to the need for greater co-operation between different forces and nations to ensure a concerted effort in countering these modern threats.

Resilience of supply chains

In light of the growing tension and competition between global powers, nations are increasingly focused on developing resilient domestic supply chains. These supply chains must demonstrate the agility, breadth and depth of capability to respond to changing and complex customer requirements. This is a critical part of maintaining capability that can function without undue reliance on international trade, expertise or raw materials from potentially hostile states.

How are we addressing these market dynamics?

Delivering disruptive science, engineering and technology required to modernise defence and security capabilities

QinetiQ was founded on innovation with research, development, test and evaluation at the core of what we do. As a predominantly service-based business, we are uniquely placed to operate across the breadth of platforms, systems and lifecycles, unlike a more traditional vertical platform manufacturer. We experiment, innovate and develop new capabilities, drawing on a broad range of existing, emerging and disruptive technologies. We emulate advanced threats and test and evaluate the resilience and inter-operability of systems and platforms used to respond to these threats, to provide assurance.

Partnering for innovation

The capabilities our customers require can often be so complex that no one company can deliver them alone. In addition, cutting-edge technology is often found in the commercial sector and academia. The defence industry can benefit from leveraging this technology, but it needs new and more effective partnerships to convert emerging technologies rapidly into assured deployable capability. We collaborate across the supply chain, but also form partnerships with organisations outside of defence to provide the agility and expertise required to innovate at pace. Our ability to work across platforms and technologies and form powerful partnerships helps deliver mission-led innovation to our customers.

A multi-domestic strategy

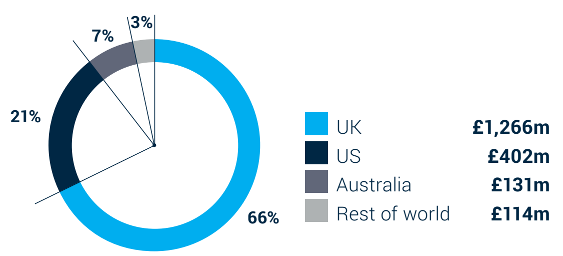
Our multi-domestic strategy is aimed at developing sovereign defence capabilities within the countries in which we operate. The focus for growth is in our three home countries, Australia, the UK and US, where we are pursuing similar opportunities to support their shared defence and security missions. The formation of the AUKUS alliance between these nations reinforces our multi-domestic strategy and makes us increasingly relevant. We are well positioned to deliver strong growth in the Australian, UK and US businesses in the next five years.

//Our customers seek to rapidly modernise their defence and security capabilities so they can better address current and future threats.//

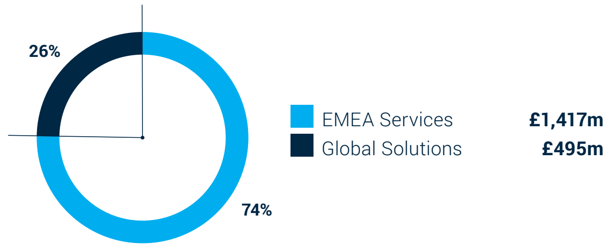
Our >£30bn addressable market

Australia, the UK and US are our home countries and collectively represent 94% of our revenue.

Revenue by customer location



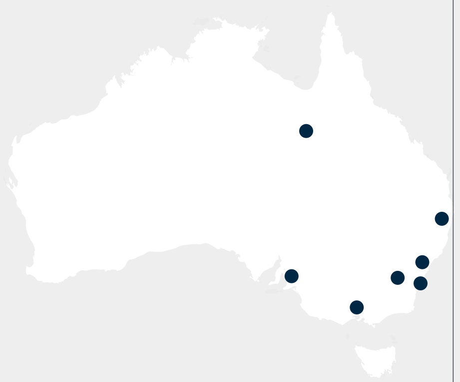
Revenue by division



Australia

833
employees

9
sites



Trading environment
In 2024, the Australian Government released the inaugural National Defence Strategy and Integrated Investment Program complementing the 2023 Defence Strategic Review. Recognising that the current environment demands a new approach to defending its national interests, there is a commitment to invest in conventionally armed, nuclear-powered submarines through a partnership between Australia, the UK and the US (AUKUS), alongside deepening cooperation on a range of advanced security and defence capabilities. The Defence Industry Development Strategy (DIDS) now articulates the defence industrial base required with Test and Evaluation, Certification and Systems Assurance (TECSA) forming one of the seven Sovereign Defence Industrial Priorities.

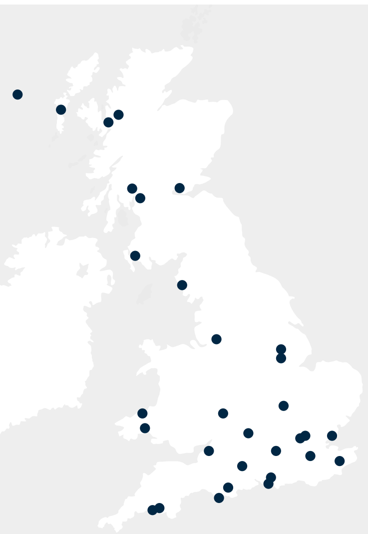
The consolidated Defence and Australian Signals Directorate funding for FY24/25 is estimated at AUD $55.3bn[1]. In April 2024, the Australian Government announced that it will increase defence spending by $50.3bn over the next decade, hitting $100bn by 2033, or c.2.4% of GDP.

1 Budget 2024-25 Budget Paper No. 1.4A, page 16

UK

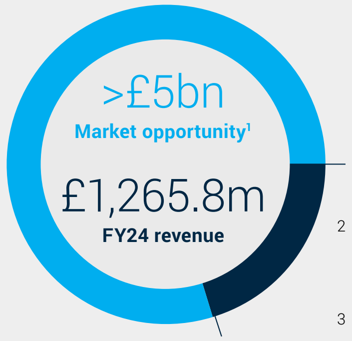
6,174
employees

32
sites



Trading environment
A more contested and volatile international environment has reinforced the UK Government's commitment to increased defence spending. In April, the UK Government announced an incremental £75bn of defence spending over six years, with defence spending set to rise to 2.5% of GDP by the end of the decade - reaching £87bn a year in 2030. The Government states that "additional funding will be used to put the UK's defence industry on a war footing, deliver cutting-edge technology and back Ukraine against Russia"[2]. The new spending plan comes with a promise to spend at least 5% of the budget on R&D from next year, and another 2% to "support the exploitation of promising science and technology in military capability"[3].

As the UK seeks to develop and deploy next-generation capabilities faster than its adversaries, we are well positioned to support our customers in applying mission-led innovation to achieve this.

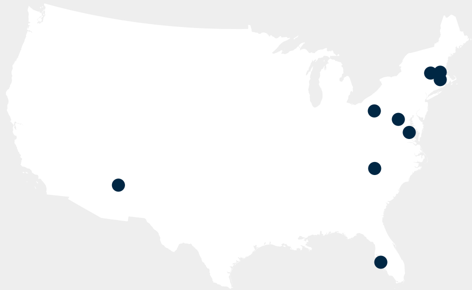


2 PM announces 'turning point' in European security as UK set to increase defence spending to 2.5% by 2030, 23 April 2024 (gov.uk)
3 Defending Britain 23 April 2024 (gov.uk)

US

1,389
employees

14
sites



Trading environment
The US continues to address the comprehensive and serious challenge of the People's Republic of China, while tackling the acute threat of a highly aggressive Russia, and increasing vigilance against the persistent threats of North Korea, Iran and transnational terrorist networks.

To support these aims, the Department of Defense funding for 2024 is $841.4bn[4]. As part of this, the Research, Development, Test and Evaluation (RDT&E) budget is the largest ever at $145bn[5]. Investment in critical technology areas aimed at strengthening technological advantage include directed energy, hypersonics, integrated sensing and cyber.

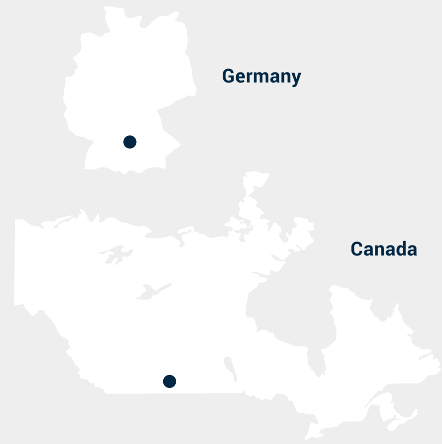
We serve our US customers' mission in the areas of Intelligence, Surveillance, Reconnaissance (ISR), mission operations, advanced cyber, information advantage, multi-domain autonomous solutions and systems and engineering and innovation.

4 FY24 NDAA Bill Report (senate gov)
5 IN12209 (congress.gov)

Rest of the world

186
employees

5
sites



Trading environment
During 2023 there has been a marked increase in global defence investment as many countries have re-evaluated their defence and security priorities as a consequence of the Russia-Ukraine war. The 2024 forecast for global defence spending stands at $2.47tn[6], which represents a 13% increase since 2022.

While priority and investment focus will be attached to the prosecution of our three home country strategies (Australia, UK and US), we continue to conduct business in the support of allied nations.

6 Janes Defence Budgets, January 2024

Segmental reporting

QinetiQ reports via EMEA Services and Global Solutions segments

We operationally manage the business through four operating sectors, each with their own Chief Executive and Leadership Team. This outlines how the sectors correlate with our external reporting framework and the financial results for each segment.

EMEA Services

Total revenue

£1,417m

Combines world-leading expertise with unique facilities to generate and assure capability. We do this through capability integration, threat representation and operational readiness, underpinned by long-term contracts that provide good revenue visibility and cash generation.

UK Defence

£825m

FY24 revenue

Our UK Defence sector provides test & evaluation, engineering assurance services, science & technology solutions, and enables training and mission rehearsal for our Air, Maritime and Land customers in the UK. It is a trusted partner throughout the acquisition lifecycle and provides services to international allies via our UK base capabilities.

→ Read more on page 23

UK Intelligence

£446m

FY24 revenue

The UK Intelligence sector helps government and commercial customers respond to fast-evolving threats based on its expertise in data and digital engineering (including Artificial Intelligence (AI) /Machine Learning (ML)), quantum, training and simulation, secure communication networks and devices, intelligence gathering, surveillance sensors and cyber security.

→ Read more on page 24

Australia

£146m

FY24 revenue

Our Australia sector delivers advisory and engineering services, threat representation and capability assurance services to customers in Australia and the rest of the world. This includes target services used for live-fire training and weapon systems test and evaluation, operational air-to-air training and special mission service delivery.

→ Read more on page 20

Financial performance

Orders increased 7%, excluding the 10 year £260m MSCA order in FY23. Including MSCA in the strong FY23 comparator, orders decreased by 13% (organic and reported). The funded order backlog excluding LTPA ended the year at £1.4bn, with a book-to-bill ratio of 1.04x (FY23: 1.17x, excluding MSCA). There has been an increase in orders through the Engineering Delivery Partner (EDP) framework totalling £472m in FY24 (FY23: £404m), as well as an increase in the German business, which secured a significant, multi-year aerial training services contract, representing the single largest and longest contract award within our Threat Representation business.

Revenue increased by 20% to £1,417.4m (FY23: £1,179.3m), and grew by 19% on an organic basis, as a result of good growth in the UK, underpinned by new work as part of the EDP framework and a variation of price uplift on the LTPA.

At the beginning of FY25, we had £1.0bn of EMEA Services' FY25 revenue under contract, compared to £0.8bn (of the FY24 revenue) at the same point last year.

Underlying operating profit grew by 19% to £163.4m (FY23: £137.1m) in line with revenue growth. Operating margin remained stable at 11.5%.

Approximately 66% of EMEA Services revenue is derived from single-source contracts (FY23: approximately 64%). By investing in our core contracts and extending their duration the high proportion of single-source revenue contracted on a long-term basis provides visibility and reduces our exposure to future changes in the baseline profit rate set annually by the Single Source Regulations Office.

	FY24 £m	FY23 £m
Orders	**1,193.1**	1,372.2
Revenue	**1,417.4**	1,179.3
Underlying operating profit	**163.4**	137.1
Underlying operating margin	**11.5%**	11.6%
Book-to-bill ratio[1]	**1.0x**	1.4x
Total funded order backlog	**2,551.7**	2,768.8

1 Book-to-bill (B2B) ratio is orders won divided by revenue recognised, excluding the LTPA non-tasking services revenue of £266m (FY23 £225m).

Global Solutions

Total revenue

£495m

Global Solutions combines our world-leading technology-based products and services. Our strategy is to expand the portfolio of solutions to win larger, longer-term programmes providing good visibility of revenue and cash flows.

United States

£407m

FY24 revenue

Our US sector provides design, rapid prototyping, systems engineering, integration and manufacture of defence mission solutions. It also delivers mission support, modernisation, enablement and operations, technical advisory, cyber and information advantage services for US Defense, Federal, Homeland and National Security customers.

→ Read more on page 27

UK Defence, UK Intelligence and Australia Products

£88m

FY24 revenue

The portfolio of our other products and solutions provides research services and bespoke technological solutions developed from intellectual property spun out from EMEA Services, and includes our threat representation product sales in QinetiQ Target Systems (QTS).

→ Read more on pages 23, 24 and 20

Financial performance

Orders increased by 56% to £547.3m (FY23: £351.9m), 7% organically. This was driven by a growing order intake in the targets business and good order intake in the Avantus business.

Revenue was up 23% on a reported basis at £494.7m (FY23: £401.4m) due to the full-year impact of the Avantus acquisition. There was a small organic decline of 3%, with Avantus delivering high single digit revenue decline over the course of the year, but achieving positive revenue growth in the second half.

Revenue in the rest of Global Solutions was broadly flat for the year, impacted by the loss of the Optionally Manned Fighting Vehicle (OMFV) opportunity. We also saw the planned production ramp down of the Common Robotic System – Individual (CRS-I) small ground robots in the US, offset by the highest ever production levels in QinetiQ Target Systems (QTS) in the UK.

At the beginning of FY25, we have 52% of Global Solutions' FY25 revenue under contract, compared to 44% (of the FY24 revenue) at the same point last year. In addition, we have a further $150m of US contract awards in FY24, which are expected to be funded during FY25. This would increase revenue cover to 75% in FY25.

Underlying operating profit increased to £51.8 (FY23: £41.8m) due to the full-year impact of the Avantus acquisition, with a stable underlying operating profit margin of 10.5% (FY23: 10.4%). Organically, operating profit increased by 6%, driven by improved margins in the US business.

	FY24 £m	FY23 £m
Orders	**547.3**	351.9
Revenue	**494.7**	401.4
Underlying operating profit	**51.8**	41.8
Underlying operating margin	**10.5%**	10.4%
Book-to-bill ratio[1]	**1.1x**	0.9x
Total funded order backlog	**321.3**	301.5

1 Book-to-bill (B2B) ratio is orders won divided by revenue recognised.

Gary Stewart
Chief Executive
Australia

Australia

A specialist Australian advisory and engineering business with threat representation in the Australian, UK, German and Canadian markets.

//In my first year at QinetiQ, it has been great to learn and confirm the potential of the Australia Sector. We have a clear plan to expand our capabilities and relevance to our Australian and international customers, with a truly global team of 1,200 people operating in Australia, Canada, Germany and the United Kingdom.//

Overview
During the year we established a new leadership team, implemented an integrated operating model, adapted to the new Australian defence policy and priorities, and completed the integration of Air Affairs. Tragically, we lost two of our experienced and long-serving German pilots in a fatal aircraft crash while delivering training for the German military.

Order Highlights
The sector has performed well throughout the year. Order intake was impacted due to Australian customer delays arising from the Defence Strategic Review. However, we secured a number of strategic and long term orders, that position us well for the future.

- Our Advisory business obtained a significant, multi-year extension to deliver professional and technical services to major defence capability programmes in vehicles, maritime warfare, guided weapons, explosive ordnance, and aerospace surveillance and reconnaissance.
- Our German operation secured a significant, multi-year aerial training services contract, representing the single largest and longest contract award within our Threat Representation business.
- Our Canadian target systems operation entered an agreement with the Royal Canadian Navy and Defence Research and Development Canada (DRDC) to develop and supply a new Uncrewed Surface Vehicle. Joining the existing maritime target portfolio, this new multi-role boat will also feature remote autonomous operation with crewed and uncrewed functionality.

Operational Highlights
We continued to see demand for our technical engineering and advisory services in Australia, and global demand for our portfolio of aerial and maritime targets and mission rehearsal services. Notable operational highlights for the year include:

- Our UK target systems operation manufactured and delivered over 600 aerial targets, representing a 50% increase in volume.
- Our Engineering business invested in state-of-the-art facilities to support business growth. In Melbourne we established the QinetiQ Technology and Engineering Centre (QTEC), delivering a complex vehicle project for the Australian Army. In Adelaide we opened QLabs, providing critical capability in Directed Energy Weapons with the Department of Defence.
- Our MakerSpace programme added additional sites, helping the Australian Army create a culture of digital thinking and innovation.
- Substantial progress was made integrating the Air Affairs business acquired in December 2022. Now named QinetiQ Air Affairs (QAA), over the last year it was transformed from a local Australian specialist business into a key pillar of QinetiQ's global threat representation offering. QAA's achievements in FY24 have included participation in a number of international defence exercises and development of new training targets.

QinetiQ Target Systems (QTS)
Demand for QTS products led to the highest production levels ever during FY24. QTS will achieve the significant production milestone of 10,000 Banshee and 750 Hammerhead targets during FY25 and continues to innovate to meet the changing customer training needs and evolving threats.

QTS continues to make positive progress with customers such as the US Department of Defence, recently providing test and evaluation capabilities utilising the Rattler supersonic target to support the development of defensive high energy lasers in response to emerging and evolving threats.

QTS has delivered multi-domain threat representation, utilising both uncrewed aerial and maritime surface targets to present a realistic threat scenario for warships on pre-deployment training.

In Germany, QTS, working in collaboration with QinetiQ Germany as part of the newly established Threat Representation Business Unit, has delivered target services in support of the training and deployment of anti-aircraft systems.

Case study

QinetiQ's multi-faceted contribution to regional security training

A range of offerings from QinetiQ Air Affairs were employed for Exercise Talisman Sabre 2023, the major military exercise involving Australia, the United States, along with their allies and regional partners.

QAA's Learjet capability was engaged to support various maritime strike operations. Learjet crews also flew threat representation profiles as aerial opposing forces from Darwin.

In a first in Australia, QAA's Remotely Piloted Aerial Target team carried out a number of Phoenix aerial target operations for the Japan Ground Self-Defense Force. Phoenix targets were used for radar tracking trials in preparation for the firing of a Type 12 Surface-to-Ship missile. Additional Phoenix target flights supported Surface-to-Air missile firings.

Finally, QAA provided a range of Learjet and helicopter aeromedical services to support military personnel participating in the exercise, with aircraft based in Weipa, Townsville and Bradshaw Range for rapid response evacuation support flights.

//QAA's engagement for Exercise Talisman Sabre 23 demonstrated the role we have in supporting a secure and prosperous Indo-Pacific region through our specialist capability in multi-domain threat representation and other aviation support functions.//

Graham Ollis
Managing Director Threat Representation

Case study

UK's first high-power firing of a laser weapon against aerial targets

In collaboration with The Defence Science and Technology Laboratory, MBDA and Leonardo, we achieved the UK's first high-power firing of a laser weapon against aerial targets during a trial at the QinetiQ operated MOD Hebrides Range. This was an important step forward demonstrating the capabilities of QinetiQ's world-leading beam combining laser technology, and development of the enabling test and evaluation capability. QinetiQ is investing in laser directed energy weapons and will continue to play a central role in the development, test and evaluation, and transition into operational capability of this UK sovereign capability.

//Investments with industry partners in advanced technologies like DragonFire are crucial in a highly contested world, helping us maintain the battle-winning edge and keep the nation safe.//

The Rt Hon Grant Shapps
UK Secretary of State for Defence

Will Blamey
Chief Executive
UK Defence

UK Defence

The UK Defence Sector is focused on protecting lives through innovative solutions for our Air, Maritime and Land customers.

//The UK Defence Sector has delivered a very successful year providing greater value and operational advantage to our customers in an increasingly challenging threat environment.//

Overview

The UK Defence Sector delivers mission critical solutions, innovating for our Air, Maritime and Land customers' advantage. The distinctive offerings across our customer base have delivered good revenue growth this year, whilst sustaining strong cash conversion and operating profit. Framework partnerships remain central to how we deliver customer value, with the EDP contract alone delivering over £1.5bn of orders in its first five years. Following a Principles Agreement with UK MOD for an extension option to jointly develop the LTPA test, trials, training and evaluation (T3E) capabilities beyond 2028, future prospects are well underpinned.

Test, Trials, Training & Evaluation (T3E)

Over three weeks in May 2023 at MOD Hebrides, we hosted Formidable Shield 23, one of the world's largest and most complex multi-domain tests of naval and missile defences. Operated by QinetiQ, the exercise saw over 20 ships, 35 aircraft, and nearly 4,000 allied military personnel from 13 NATO nations come together to test missiles, systems, sensors and software against representative threat scenarios in realistic live-fire mission rehearsal exercises.

We have secured significant orders to increase environmental testing capacity in support of the UK's Weapons stockpile resilience effort, and for further work at our Hurn vehicle testing capability. We delivered a complex synthetic training demonstration from Portsdown Technology Park delivering collective training to three platforms docked at HM Naval Base in Portsmouth: HMS Queen Elizabeth, HMS Diamond and HMS Kent. This ability to train across multiple geographically dispersed units provides a step change in capability to the Navy.

Engineering Services

Demand remains strong for engineering services across a broad range of programmes, primarily as the Engineering Delivery Partner for MOD. Key achievements this year include securing:

- An initial task as Capability Partner in support of the new AUKUS submarine programme, and a greater role supplying specialist design services;
- Supply of further technical support services to the DE&S Catalyst delivery team for the Future Combat Air System (FCAS) programme;
- The Defence Science and Technology Laboratory (Dstl) funded Modular Integrated Protection System programme developing a new pan-fleet active protection system architecture for British Army vehicles.

Science and Technology

We have also been working closely with DE&S in support of the new acquisition reforms and investing in our enabling digital toolsets to deliver increased customer value from our engineering services.

In collaboration with Dstl, MBDA and Leonardo, we achieved the UK's first high-power firing of a Laser Directed Energy Weapon (LDEW) against aerial targets. This was an important step forward demonstrating the capabilities of QinetiQ's world-leading beam combining laser technology, and development of the enabling Test & Evaluation capability. The MOD has recently announced that the cutting-edge DragonFire laser directed energy weapon system will be installed on Royal Navy warships for the first time from 2027, far sooner than previously envisaged.

We also delivered the UK's first jet-to-jet crewed-uncrewed-teaming demonstration in March 2024 working in partnership with Dstl, the Royal Navy and the Air and Space Warfare Centre as part of the UK's Accelerating Air Autonomy Capability Experimentation programme. The trial showcased human machine teaming between a crewed aircraft and an autonomous drone; the UK's first jet-to-jet crewed-uncrewed-teaming demonstration.

During the 2023 NATO Robotic Experimentation Prototyping Augmented by Maritime Unmanned Systems (REPMUS) Exercise, we supported the Royal Navy leading a UK team delivering the experimental Command & Control exercises for the mission management of multiple uncrewed vehicles across a task group.

James Willis
Chief Executive
UK Intelligence

UK Intelligence

Helping Government and commercial customers deploy mission critical capabilities at pace.

//The UK Intelligence Sector continues to serve as a key trusted partner to the UK Government, across the defence and national security mission. This is reflected in our strong financial performance during FY24, and will position us for further growth as the need for our C5ISTAR, training, & digital intelligence mission critical capabilities, to support customer operations, are continually in demand.//

Overview
The UK Intelligence Sector utilises its unique domain knowledge across C5ISTAR (Command, Control, Communications, Computers, Cyber, Intelligence, Surveillance and Reconnaissance), allied to its research, innovation and applied engineering pedigree, to support UK Government in the development, assurance, integration and deployment of mission critical capabilities at pace. We are a key industry partner to the MOD, and continue to be well-placed to deliver critical digital change programmes over the coming years to Defence Digital (DD), Defence Intelligence (DI) and Defence Science and Technology Laboratory (Dstl).

Within the year, highlights include:

- SOCIETAS – An £80m transformation programme focused on accelerating the production of mission data, enabling the UK's military platforms and personnel to be better protected in a rapidly changing threat landscape. SOCIETAS continues to perform beyond expectations with the Full Operating Capability declared three months early.
- The establishment of the Training and Simulation Centre of Excellence at Farnborough providing increased support to Land (Army Virtual Proving Ground), Maritime (Type 23 and Type 45 training simulation systems) and the RAF, Dstl and secure cyber domains. This business area is growing strongly, achieving 30% revenue growth on prior year.
- New Style of IT (Deployed) (NSOITD) - We have continued our strong and enduring relationship with Defence Digital's successful NSOITD programme for over five years to a value of £107m, and have now secured another 12 months of support. Our offering enables the agile delivery of the nodes across Design, Engineering, Test and Integration and through engineering support to the Live Services.

Operational highlights
We continue to demonstrate our ability to leverage our acquisitions for future success. Fully acquired in 2020, Naimuri demonstrated strong year-on-year orders growth exceeding 80%, and headcount growth to c.200 employees in the same time frame. Naimuri's portfolio has significantly diversified beyond National Security into Homeland Security, and UK MOD. Amongst the new orders were two sizeable three year contracts in Homeland Security, delivering two strategic aims: i) diversification of Naimuri's customer base; and ii) increase to the longevity of contracts. Naimuri continues to be cited as an example of a high-performing SME working on the highest priority Government systems and highly engaged in supporting social values and growth as part of the Northern Powerhouse.

UK Intelligence continues to evolve to ensure we have the capabilities and expertise in emerging technologies e.g. quantum technology. This is an emerging and disruptive capability covering quantum sensing, navigation and computing. We are building the capability through a mixture of internal investment and customer projects, and ensuring alignment with the UK's National Quantum Technology Programme.

Finally, we remain committed to providing operational support to the UK Government including 24/7 support to operations and deployment throughout this difficult period in Eastern Europe, which has enabled UK platforms to support burden sharing with allies, assisting with military aid provision.

Case study

Rapid Innovation Cell within the Defence Intelligence Pillar

The Defence Intelligence Pillar (DI Pillar) was established over two years ago, and since its establishment has generated over £97m in revenue, of which £26.6m is focused on the Rapid Innovation Cell (RIC). The DI Pillar now encompasses 12 different thematic areas critical to DI. The Rapid Innovation Capability offers UK MOD a route to deliver exploitable innovation at pace. We are currently delivering approximately 30 commissions for a range of Defence customers, and across a range of technical and non-technical domains including the piloting of a reprogramming node at RNAS Yeovilton.

//As we've seen from the diversity of RIC users, the utility can extend beyond delivery of isolated innovation commissions, moving towards supporting in the wider delivery of the MOD's innovation strategy. This may include sharing of best practice, supporting triage of ideas with relevant technical input and aiding the evolution of innovation into operational capability.//

Chris Walker
Managing Director, Cyber & Strategic Command

Case study

Robotic Combat Vehicle Light

QinetiQ US continues to enable human machine integration via the Robotic Combat Vehicle-Light (RCV-L) surrogate programme through collaboration with the US Army Futures Command (AFC), Next Generation Combat Vehicle Cross Functional Team (NGCV CFT), the Combat Capabilities Development Command's (CCDC), and Ground Vehicle Systems Centre (GVSC).

FY24 Highlights include continued delivery of 12 RCV-L platforms, development and integration of multiple capability upgrades, and ongoing support of user test and experimentation events.

After receiving multiple soldier centric upgrades, the RCV-L went through two training rotations with 11th Armored Cavalry Regiment "Black Horse" opposing force unit at the Fort Irwin National Training Centre during the summer of 2023.

//Black Horse has proved tremendously adaptive in how they have employed the robots.//

Major General Glenn A. Dean
Program Executive Officer
Ground Combat Systems

Shawn Purvis
President & CEO
United States

United States

The combination of QinetiQ and Avantus to create a disruptive mid-tier US Defence and National Security business.

//The integration of Avantus generated positive momentum in the order book and sets the foundation to deliver mission led innovation in support of our customers' most critical mission needs.//

Overview

Our US Sector provides design, development, rapid prototyping, systems engineering and integration and manufacture of speciality defence mission products and solutions related to robotics, autonomy, maritime and sensors. The integration of Avantus provided a complementary suite of services related to mission support, modernisation, enablement and operations, technical advisory, cyber, information advantage for US Defense, Federal, Homeland and National Security customers.

Order and Operational Highlights

The US Sector had $1.3bn of total contract awards during the year, including $977m from Avantus. We have completed the integration of Avantus into a single operating model for the Sector and expect to benefit from market and operational synergies.

We won a $223m, five year, firm fixed price contract with the US Space Development Agency (SDA) to provide systems engineering and technical assistance support needed to deliver the Proliferated Space Warfare Architecture, a threat-driven constellation of small satellites that deliver critical services to our warfighters from space. Services include tracking of advanced missile threats, low-latency data transport integrated with tactical data links, custody of time-critical land and maritime targets, and space-based battle management. During the autumn, our team supported SDA's successful demonstration of the first-ever Link 16 space to ground transmission.

We won a $126m, five year, hybrid firm fixed price contract to provide technical, professional, and administrative support services to the Office of the Secretary of Defense Strategic Capabilities Office (SCO). This award builds upon our existing work within SCO and supports SCO's mission to analyse and accelerate the development, demonstration, and transition of capabilities to counter strategic adversaries and improve the United States security posture in peacetime, crisis, and conflict.

We won a $170m, five year, firm fixed price Tethered Aerostat Radar System (TARS) Operations & Maintenance contract with the US Department of Homeland Security, Customs and Border Protection and Air and Marine Operations. The team provides persistent surveillance operations and sustainment services at eight sites along the southern border of the United States and territories, spanning from Arizona to Puerto Rico. Services include, air-surface radar operations, ground control and data networking systems monitoring, and data fusion and analysis as an integral part of the mission to detect, sort, intercept, track, and apprehend criminals in diverse environments at and beyond the US borders.

We secured $2.7m of incremental funding on an existing contract to build and test the Electromechanical Actuator Power Conditioner and Controller (EPCC) for ten shipsets for the Virginia class submarine programme as an extension of our previous design and development effort. The EPCC is a rack of hardware and software designed to control precision actuators as part of the weapon stowage and handling system. In FY24, we have successfully delivered the first two shipsets.

We won a five year indefinite delivery, indefinite quantity (IDIQ) contract for $83m to deliver the Program of Record Next Generation Advanced Bomb Suit (NGABS) for Product Manager Soldier Protective Equipment. QinetiQ's technology increases the situational awareness through advancement in its low/no light operation integrated capability provided by a Modular Sensor Suite and Heads Up Display.

Heather Cashin
Interim Group
Chief Financial Officer

Overview of full year results

//Another year of strong cash generation has enabled us to return additional capital to shareholders.//

Strong organic growth at stable margins

The Group has delivered strong growth and underlying performance across all metrics, reflecting continued disciplined execution of our strategy.

Consistently strong cash generation contributed to net debt to EBITDA falling to 0.5x (FY23: 0.8x). We have increased the growth rate of our progressive dividend from 5% to 7%, growing the distribution to 8.25p per share (FY23: 7.70p).

The Group achieved record orders in the year, totalling £1,740.4m (FY23: £1,724.1m), a year-on-year 1% increase and a book-to-bill of 1.1x. This is on the back of a very strong prior-year comparator, which included the 10 year £260m Maritime Strategic Capability Agreement (MSCA) contract. Excluding the MSCA contract, orders were up 19%; orders declined 10% organically with MSCA included. We have secured major orders across both of our operating segments. Within EMEA Services we secured £1,193m of orders, including a £54m variation of price uplift to the LTPA, a £39m extension to our Battlefield and Tactical Communications & Information Systems (BATCIS) contract and a significant multi-year aerial training services contract in Germany.

Within Global Solutions, FY24 orders were £547m, a 56% increase on a reported basis and 7% organic. The drivers of this performance are an 18% increase in our QTS business to £68m, together with a significant increase in funded orders through the US business as a result of the Avantus acquisition in FY23.

In the US, the total value of contract awards was $1.3bn. Of this, $571m has been funded and is reported within the Global Solutions order intake. The remaining $729m represents unfunded orders, which are contract awards for which funding has not yet been appropriated or authorised.

Highlights include a $46m funded order for our Electromagnetic Aircraft Launch System (EMALS) and Advanced Arresting Gear (AAG) systems for the US Navy's CVN 81 aircraft carrier, and a five year contract worth $83m for the Next Generation Advanced Bomb Suit (NGABS) ($34m funded and $49m unfunded). We secured contract awards for a five year contract with the Secretary of Defense Strategic Capabilities Office (SCO) for $126m ($14m funded and $112m unfunded), a $223m contract award for Space Development Agency (SDA) support ($43m funded and $180m unfunded), and a five year Tethered Aerostat Radar System (TARS) Operations & Maintenance contract with a total contract value of $170m ($16m funded and $154m unfunded).

Funded order backlog remains strong at £2.9bn, or £3.7bn including unfunded orders, providing good visibility going forward:

- In EMEA Services the total funded order backlog was £2.6bn (FY23: 2.8bn). The reduction in the backlog is due to the delivery of non-tasking revenue (c.£266m per annum) within the Long-term Partnering Agreement (LTPA). This is a large multi-year contract that was booked in prior years and as we deliver this will naturally reduce the LTPA order backlog. Outside of the LTPA, backlog has remained broadly stable at £1.4bn (FY23: £1.5bn).
- In Global Solutions the total funded order backlog grew from £302m in FY23 to £321m in FY24. Our US unfunded order backlog grew from $245m to $974m driven by the contracts referenced above.

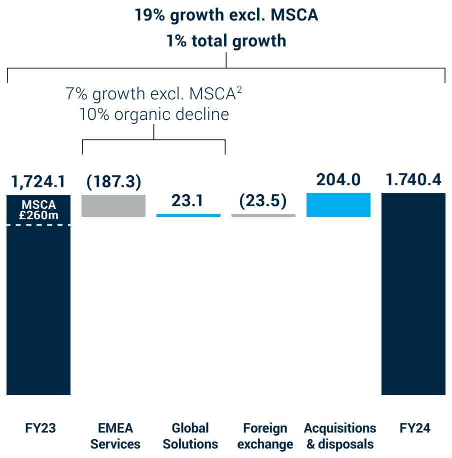
Financial performance

	Underlying* results		Statutory results	
(£m)	**FY24**	**FY23**	**FY24**	**FY23**
Revenue	**1,912.1**	1,580.7	**1,912.1**	1,580.7
Operating profit[1]	**215.2**	178.9	**192.5**	172.8
Profit after tax	**169.6**	152.9	**139.6**	154.4
Earnings per share **(p)**	**29.4**	26.5	**24.2**	26.8
Full year dividend per share **(p)**	**8.25**	7.70	**8.25**	7.70
Funded order backlog	**2,873.0**	3,070.3		
Orders	**1,740.4**	1,724.1		
Net cash inflow from operations	**320.2**	270.1	**294.1**	240.6
Net (debt)/cash	**(151.2)**	(206.9)		

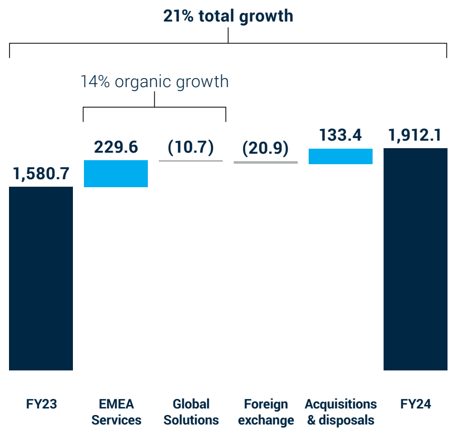
* Definitions of the Group's 'Alternative Performance Measures' can be found in the glossary

1 Underlying operating profit refers to operating profit from segments. See note 3 for details.

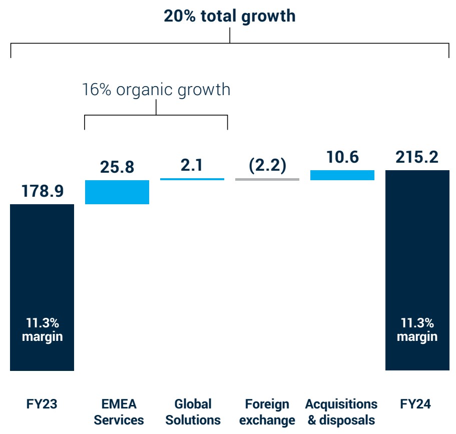
Orders bridge[1] (£m)



Revenue growth (£m)



Underlying operating profit from segments (£m)



1 Book-to-bill ratio is orders won divided by revenue recognised, excluding LTPA revenue of £266m (FY23: £225m)

2 MSCA 10 year £260m contract in FY23

At the beginning of FY25 approximately £1.3bn of the Group's FY25 revenue was under contract, compared to £1.1bn (of the FY24 revenue) at the same point last year. In addition, it is anticipated that $150m of unfunded orders will be funded during FY25.

We delivered strong revenue growth of 21% to £1,912.1m (FY23: £1,580.7m), 14% on an organic basis, demonstrating increasing demand for our six distinctive offerings. We saw a 19% organic revenue increase in EMEA Services primarily due to good growth in the UK, underpinned by new work as part of the EDP framework (delivering 28% revenue growth within the framework) and a variation of price uplift on the LTPA. Global Solutions revenue decreased by 3% organically with Avantus delivering high single digit revenue decline over the course of the year. Revenue in the rest of Global Solutions was broadly flat for the year, impacted by the loss of the Optionally Manned Fighting Vehicle (OMFV) opportunity. We also saw the planned production ramp down of the Common Robotic System – Individual (CRS-I) small ground robots in the US from $40.2m in FY23 to $13.8m in FY24, offset by the highest ever production levels in QinetiQ Target Systems (QTS) in the UK.

Operating profit from segments of £215.2m (FY23: £178.9m) was up 20%. This represents a stable 11.3% operating margin (FY23: 11.3%), consistent with our guidance range of 11-12%. The largest contributions to year-on-year growth were the full-year impact of the Avantus acquisition and organic revenue growth at stable operating margin in EMEA Services.

To ensure consistency and clarity on our headline profit figures, our headline profit figure remains as operating profit from segments and excludes any benefit arising from RDEC income (which was previously reported within the tax line prior to FY23). Statutory operating profit was £192.5m (FY23: £172.8m), including the impact of specific adjusting items and RDEC income. Underlying RDEC income increased to £27.2m (FY23: £17.4m) due to the increase in the applicable rate.

Underlying profit before tax increased 16% to £227.0m (FY23: £189.7m) in line with the increase in underlying operating profit, with underlying net finance expense at £15.4m (FY23: £6.6m). Underlying net finance expense increased due to the full-year impact of interest payable on the term loan drawn down to fund the Avantus acquisition.

Specific adjusting items

The total impact of specific adjusting items (which are excluded from underlying performance due to their distorting nature) on operating profit was a £49.9m cost (FY23: cost of £23.5m).

Acquisition and disposal costs of £2.7m (FY23: £16.4m) comprises costs associated with an aborted acquisition attempt during the year, as well as a number of ongoing disposal projects. Acquisition-related remuneration relates to specific post-deal retention arrangements relating to Avantus employees. Acquisition integration costs of £5.3m (FY23: £2.0m) comprises costs associated with the Avantus and Air Affairs acquisitions which were completed in H2 of FY23.

We continue to deliver on our discrete investment project to build our digital platform to enable our global growth strategy and our AUKUS customers' needs. The project runs for a further three years and we expect an additional c.£35m of non-recurring costs to be reported as specific adjusting items in the P&L, with ongoing recurring operating costs (such as licence costs and overheads) remaining within underlying operating costs. In FY24 the non-recurring cost of the digital investment project was £16.9m (FY23: £5.8m).

FY23 included exceptional restructuring costs of £5.0m, as part of the significant Group-wide organisation redesign, and a £19.6m credit in respect of UK MOD appropriation for RDEC, following a determination by the Single Source Regulations Office on the interpretation of the Statutory Guidance for Allowable Costs regulations. The accounting judgement remains that RDEC on single-source contracts from 1 April 2019 onwards will not be paid on to the UK MOD, which was a change from the accounting judgement at the FY22 year end.

Also included within specific adjusting items are a gain on the sale of property of £2.1m (FY23: £2.0m), financing income from pensions of £5.6m (FY23: £9.9m), impairment of right-of-use lease assets in the US following space relocation of £0.7m, and amortisation of acquisition intangibles of £25.2m (FY23: £15.6m). Amortisation of acquisition intangibles has increased due to the amortisation of new intangible assets recognised on the FY23 acquisitions (primarily the Customer Relationships asset associated with Avantus). FY23 also included a gain on disposal of the Space NV business in Belgium of £15.9m.

	FY24 £m	FY23 £m
Acquisition, integration and disposal costs	**(9.2)**	(18.7)
Digital investment	**(16.9)**	(5.8)
Restructuring costs	**–**	(5.0)
Release of RDEC MOD appropriation liability	**–**	19.6
Gain on sale of property	**2.1**	2.0
Impairment of property	**(0.7)**	–
Amortisation of intangibles assets arising from acquisitions	**(25.2)**	(15.6)
Gain/(loss) on disposal of business	**–**	15.9
Pension net finance income	**5.6**	9.9
Total specific adjusting items gain/(loss) before tax	**(44.3)**	2.3

Cash management and capital allocation policy

Working capital management and overall cash performance has remained robust, with a particularly strong performance in the second half.

Underlying net cash flow from operations was £320.2m (FY23: £270.1m). Our cash conversion definition reflects our pre-capital expenditure cash flows as a proportion of EBITDA to demonstrate how we convert our profit (excluding interest, tax, depreciation and amortisation) into cash flow – under this definition we achieved consistent underlying cash conversion of 104%, (FY23: 106%).

As at 31 March 2024 the Group had £151.2m net debt, reduced from £206.9m as at 31 March 2023 due to the strong operating cash conversion during the year. During the year, we have successfully reduced leverage to 0.5x (31 March 2023: 0.8x).

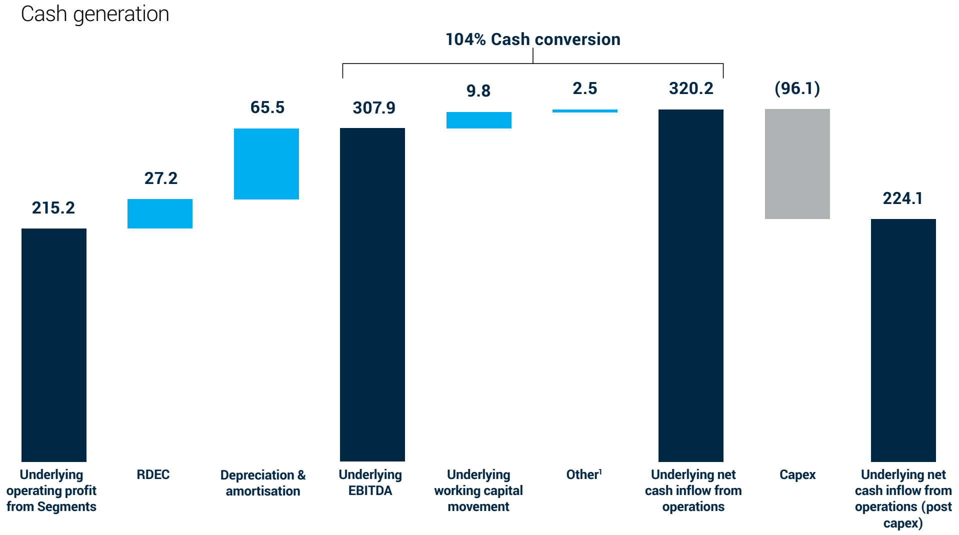
Through FY24 we have demonstrated our capital allocation policy in action:

- Invest in our organic growth – net capital expenditure of £96.1m (FY23: £109.0m), focused on contractual commitments (39% relating to customer funded contracts including £37m into the LTPA), sustainment of the portfolio and investment to support future growth
- Complement with value accretive acquisitions – successful integration of Avantus and Air Affairs with focus on proving delivery performance and growth
- Provide a progressive dividend to shareholders – increase in the year-on-year growth rate from 5% to 7%
- Return of excess cash to shareholders – £100m share buyback programme, with £16m completed by the end of March

The Group is not subject to any externally imposed capital requirements.

Cash flow bridge (£m)

Cash generation



1 Other movements driven by share based payments, pensions impacts and provision movements

Tax

The total tax charge was £43.1m (FY23: £37.6m). The underlying tax charge was £57.4m (FY23: £36.8m), on a higher underlying profit before tax, with an underlying effective tax rate of 25.3% for the year ending 31 March 2024 (FY23: 19.4%), increased from the prior year due to the change in UK statutory rate. The underlying effective tax rate is above the UK statutory rate of 25% (FY23:19%) primarily as a result of higher overseas tax rates and non-deductible overseas interest, offset by prior year adjustments to returns.

The underlying effective tax rate is expected to remain marginally above the UK statutory rate, subject to the impact of any tax legislation changes and the geographic mix of profits. The Group has engaged with advisers to assess any potential impact on the tax charge by the UK's enactment of the OECD's Global Anti-Base Erosion Model Rules (Pillar Two). The Group performed an assessment of the potential exposure to Pillar Two income taxes based on current period data. The Group understands it qualifies for one of the transitional safe harbours provided in the rules in all territories in which it operates. Therefore, the Group does not anticipate a material impact from Pillar Two legislation in the near future. The Group has applied the temporary exemption issued by the International Accounting Standards Board from the accounting for deferred taxes under IAS12 and neither recognises nor discloses information about deferred taxes related to Pillar Two income taxes. The Group does not anticipate a material quantitative impact from Pillar Two legislation, however, there are expected to be significant compliance obligations.

Committed facilities

The Group has a £336m Term Loan split into two tranches: GBP Term Loan £273m (Tranche A); and, USD Term Loan £63m (Tranche B), which will mature on 27 September 2026 and has a one year option to extend the final maturity to 27 September 2027. In line with Group policy, £270m (c.80%) of the floating rate debt has been fixed using SONIA interest rate swaps split over a three year and five year tenure at a weighted average rate of 3.29%. Including all fees and charges, the weighted average cost of debt is 5.21%.

At the year-end, the Group had a £275m bank revolving credit facility with an additional 'accordion' facility to increase the limit up to £400m. The facility was due to mature on 27 September 2025 and was undrawn at 31 March 2024. The facility was refinanced on 22 April 2024 and replaced with a new £290m facility, which will mature on 22 April 2027. It has two one year extension options to extend the final maturity date to 22 April 2029. It provides the Group with significant scope to execute its strategic growth plans.

The Group adopts a strict policy on managing counterparty risk through a combination of diversification of investments and regular reviews of counterparty limits using credit rating assessments. We are proud that our debt sits with our key relationship banks who have strong credit-ratings and diverse portfolios, demonstrating their resilience. The banks have been selected for their capabilities in our home countries to support our business.

Return on Capital Employed (ROCE)

To help understand the overall return profile of the Group, we continue to report our Return on Capital Employed, using the calculation of: profit from segments less underlying amortisation / (average capital employed less net pension asset), where average capital employed is defined as shareholders' equity plus net debt (or minus net cash).

For FY24 Group ROCE was 21% (FY23: 23%), modestly lower due to the full-year impact of the increased capital employed with the acquisitions completed in the prior year. As we continue to invest in our business to support sustainable long-term growth, our ROCE is forecast to remain attractive, at or above the upper end of the 15-20%+ range, excluding the impact of any further acquisitions.

Earnings per share

Underlying basic earnings per share increased by 11% to 29.4p (FY23: 26.5p) driven by the higher underlying profit after tax. Basic earnings per share for the total Group (including specific adjusting items) reduced 11% to 24.2p (FY23: 26.8p), with the prior year including the gain on disposal of the Space NV business and the release of the liability for the MOD appropriation of RDEC.

The average number of shares in issue during the year, net of treasury shares and as used in the basic earnings per share calculations, was 577.0m (FY23: 575.9m). There were 573.5m shares in issue at 31 March 2024, reduced due to the ongoing share buyback.

Dividend

The Board proposes a final FY24 dividend per share of 5.65p (FY23: 5.30p) making the full-year dividend 8.25p (FY23: 7.70p). The full-year dividend represents an increase in the Group's progressive dividend from 5% to 7%.

Subject to approval at the Annual General Meeting, the final FY24 dividend will be paid on 22nd August 2024 to shareholders on the register at 26th July 2024.

Pensions

The triennial valuation of the Scheme was undertaken as at 30 June 2023 and resulted in an actuarially assessed surplus.

The net pension asset under IAS 19, before adjusting for deferred tax, was £18.4m (31 March 2023: £119.8m). The key driver for the decrease in the net pension asset since the March 2023 year end was an actuarial adjustment following recalibration of demographic and financial assumptions to the recently completed 30 June 2023 triennial valuation.

The next triennial valuation will be performed as at 30 June 2026. Under the new schedule of contributions agreed, and reflecting the Scheme being in surplus, there are no deficit reduction employer contributions required.

During the year the pension fund took out a loan of £125m to facilitate an increase in the level of hedging in place. This has increased the hedges to cover approximately 80% of the interest rate risk and 85% of the inflation rate risk as at 31 March 2024, as measured on the Trustees' gilt-funded basis. The loan will be repaid in tranches by FY27 using proceeds from the realisation of investments.

The key assumptions used in the IAS 19 valuation of the Scheme are set out in note 28.

Net finance costs

Net finance expense was £9.8m (FY23: income of £3.3m). The underlying net finance expense was £15.4m (FY23: £6.6m), increased due to a full year of interest payable on the Avantus funding borrowings, with additional income of £5.6m (FY23: £9.9m) in respect of the defined benefit pension net surplus reported within specific adjusting items.

Heather Cashin

Interim Group Chief Financial Officer

23 May 2024

→ Details of the Group's tax strategy, treasury policy and approach to managing currency risk and liquidity risk can be found in the Additional Information section on page 198.

Financial KPIs

Orders

£1,740.4m

FY24	**£1,740.4m**
FY23	£1,724.1m
FY22	£1,226.6m

Description

This is the level of new orders and amendments to existing orders booked in the year.

Performance this year

Orders increased by 1%, or19% excluding the MSCA contract in the prior year. On an organic basis EMEA Services declined 14% whilst Global Solutions grew 7%.

Link to strategy

Enables us to assess the execution of our strategy to grow the Group. Order intake is used as a metric for the Annual Bonus Plan.

Underlying operating profit*

£215.2m

FY24	**£215.2m**
FY23	£178.9m
FY22	£137.4m

Description

The earnings before interest and tax, excluding all specific adjusting items.

Performance this year

Increased by 20%, driven by the full year impact of the Avantus acquisition in Global Solutions and organic revenue growth at stable margins in EMEA Services.

Link to strategy

Used for performance analysis as a measure of operating profitability. Specific adjusting items are excluded because their size and nature mask the true underlying performance.

Backlog

£2,873.0m

FY24	**£2,873.0m**
FY23	£3,070.2m
FY22	£2,828.8m

Description

This represents the total future revenue currently on contract.

Performance this year

Backlog decreased to £2.9bn in year due to the expected reduction in the LTPA as the backlog naturally decreases over the course of the contract.

Link to strategy

Backlog allows us to assess the effectiveness and execution of the Group strategy to move towards larger longer-term contracts, increasing confidence in our long-term revenue guidance.

Underlying earnings per share

29.4p

FY24	**29.4p**
FY23	26.5p
FY22	20.6p

Description

The underlying earnings, net of interest and tax, excluding all specific adjusting items, expressed in pence per share.

Performance this year

Increased by 11% to 29.4p due to the increase in underlying profit after tax, driven by organic and inorganic revenue growth at stable margins.

Link to strategy

Provides a measure of the earnings generated by the Group after deducting tax and interest. Specific adjusting items are excluded because their size and nature mask the true underlying performance year-on-year.

Organic revenue growth

14%

FY24	**14%**
FY23	12%
FY22	5%

Description

Calculated by taking the increase in revenue over prior year, at constant exchange rates excluding the impact of acquisitions and disposals.

Performance this year

Grew 14% due to 20% organic growth in EMEA Services offset by 3% organic decline in Global Solutions.

Link to strategy

Demonstrates the Group's ability to grow market share within its chosen markets. Delivering long-term sustainable growth reflects the successful execution our strategy.

Underlying net cash flow from operations

£320.2m

FY24	**£320.2m**
FY23	£270.1m
FY22	£220.7m

Description

This represents net cash flow from operations before cash flows of specific adjusting items and capital expenditure.

Performance this year

Growing 19%, reflecting higher underlying operating profit and consistent operating cash conversion of 104%.

Link to strategy

A measure of the ability to generate cash from operations. Gives an indication of the ability to make discretionary investments and pay dividends.

* Definitions for the Group's 'Alternative Performance Measures' can be found on page 200. Underlying operating profit refers to operating profit from segments. See note 3 for details.

Non-Financial KPIs

Health and safety (LTI)

1.58

FY24	**1.58**
FY23	1.74*
FY22	2.05

Description

The Lost Time Incident (LTI) rate is calculated using the total number of accidents resulting in at least one day taken off work, multiplied by 1,000, divided by the average number of employees in that year.

* FY23 data have been restated (previously published as 1.20) following a data improvement programme.

Performance this year

Our LTI decreased to 1.58 in FY24 from 1.74 in FY23, supported by our EHS Strategy and Safety Improvement Programme.

→ Read more on pages 48 and 49

Link to strategy

It is imperative we operate with the highest level of safety. This is the right thing to do for our people and for our customers who entrust us with safety-critical work. The safety, health and wellbeing of our people is therefore intrinsically linked to our success.

→ Safety is linked to our Leadership Incentives (page 118).

Employee engagement (score out of 10)

7.5

FY24	**7.5**
FY23	7.4
FY22	7.1

Description

We use WorkDay Peakon, an employee engagement measurement tool, which provides regular insights into how our people feel about working at QinetiQ, enabling us to identify what we are doing well, but also where we can improve and take action.

Performance this year

We continued to have good participation rates (71%) and have seen an increase in the overall score, 7.5 in FY24 compared with 7.4 in FY23.

→ Read more on pages 50 and 51

Link to strategy

Employee engagement is a key part of sustaining our strategy. Having an engaged workforce delivers increased productivity and retention. Improving employee engagement is essential to creating a positive culture within QinetiQ and aligns with our behaviour of 'listen'.

→ Employee Engagement is linked to our Leadership Incentives (page 118).

Greenhouse gas emissions Scope 1 & 2 (tonnes CO_2e)

29,904

FY24	**29,904**
FY23	32,354**
FY22	35,349**

Description

Our Net-Zero plan includes a near-term target of 50% reduction in Scope 1 and 2 emissions by FY30 from a base year of FY20.

** Figures are restated as we have re-baselined our GHG data – please see page 37 for details.

→ Near-term and long-term targets and details of methodology are shown on page 37.

Performance this year

We saw a decrease in our Scope 1 and Scope 2 emissions in FY24 compared with FY23, equating to a 33% reduction against our re-baselined FY20 base year.

→ Read more on pages 36-41

Link to strategy

Setting a target and measuring and reporting our greenhouse gas emissions is a key way to demonstrate our commitment to addressing climate change. It is a critical part of our ESG strategy and underpins our wider business performance.

→ Scopes 1, 2 and elements of Scope 3 GHG emissions are linked to our Leadership Incentives (page 118).

Highlights in FY24

- Included in Sustainalytics Top-rated ESG Companies List (for second year)
- New Internal Research and Development (IRAD) fund focused on sustainability
- Accreditation by the Living Wage Foundation in the UK
- AA rating from MSCI
- New carbon calculator for all employees
- 'Let's Talk Sustainability' regular series of talks on a range of sustainability topics
- UK Government Modern Slavery Assessment Tool score increased to 82%
- International Women in Engineering Day (INWED) STEM outreach event
- Signatory to the ADS Defence ESG charter
- Implementation of new ESG horizon scanning approach
- Supply Chain Climate Summits across Europe, US and Australia
- Signatory to the Defence Aviation Net-Zero Charter
- Employee recognition Gala awards Net-Zero project
- "Count me in" campaign, part of our diversity, equity and inclusion programme

Over the following pages 34–55, we report progress on those areas of sustainability we consider most important including our regulatory required submissions.

→ Signposting
Through this report we have also indicated where ESG is an enabler for our business:

- **Business Model value creation on** page 10–11
- **Investment Case on** page 12
- **Non-financial KPIs on** page 33
- **Risk management on** page 56
- **Stakeholders/Section 172 on** page 65
- **Non-financial and sustainability information statement on** pages 68–69
- **Corporate Governance including ESG on** page 70
- **ESG in leadership remuneration on** page 118

Additional information is provided on our website: www.qinetiq.com/en/our-company/sustainability

Sustainability:
Environmental, Social & Governance

2023 was the warmest year on record. We have also seen further conflict and the increased cost of living. It is clear that environmental, social and governance (ESG) factors are important to QinetiQ and to our stakeholders. Focusing on the safety, security and sustainability of the world around us is critical; everything we do at QinetiQ is about protecting what matters most.

Strategy and materiality

Sustainability encompasses a broad range of ESG factors but not all are material to QinetiQ, to our sector or the communities in which we operate. It is therefore important that we are focused on what matters most to our business as it evolves and grows and we meet the expectations and the needs of our stakeholders. Delivering our sustainability strategy, based on key ESG material factors, ensures we are addressing risks and creating value for our shareholders and customers. It means we create a great place to work for our people and future workforce, protect the environment and have a positive impact in our communities. Our ESG framework (page 35) provides a high-level overview of these factors and we describe our progress and plans in this section (pages 34-53).

External landscape

The changing external landscape and how we and our stakeholders need to respond continues to evolve. With 2023 recognised as the warmest year on record, the focus on climate change continues and that on biodiversity has further increased. Conflict and the cost of living have also been important drivers. The evolution of a range of new reporting requirements is shaping our programmes to ensure we are better able to articulate the sustainability-related risks and opportunities that could reasonably be expected to affect QinetiQ's prospects over the short, medium or long term. To ensure we understand future requirements, we actively horizon scan and this year have invested in new tools to support us. We provide monthly updates to the ESG Steering Committee, chaired by our Group CEO, and regular updates in our ESG reports to the Board.

Stakeholder engagement

A core driver for our focus is meeting the needs and expectations of our stakeholders, so regular engagement with them is vital. Throughout the year, we engage with shareholders, customers and employees about ESG directly, and via reporting, surveys and questionnaires, so we are able to listen, understand, and identify what matters most to them. We also track and share best practice through industry sustainability networks. We strive to be proactive, chairing a number of industry groups. We actively collaborate with customers, peers and suppliers on topics such as climate change, ethics, diversity and inclusion and skills.(see pages 39 and 55 for more details).

We recognise the importance of supporting national and international sustainability programmes and frameworks. Our Net-Zero targets are validated by the Science Based Targets initiative (SBTi) (see page 36) and we support Race to Zero. We use the UN Sustainable Development Goals (SDGs) as a guide and remain committed to driving progress on specific goals that are aligned to our sustainability agenda.

Based on this approach, we believe that the aspects of sustainability that we are focusing on are the most material to our business and to our stakeholders, and our approach is to embed ESG into strategy, and our business processes.

In FY25 we will be focusing across all our programmes and looking further at non-financial data.

Our ESG framework

Our purpose

Protecting lives by serving the national security interests of our customers

Our ESG framework

We have a clear framework and focus to deliver change in the three areas of ESG

Environmental	Social	Governance
Material factors	**Material factors**	**Material factors**
– Climate change – Net-Zero – Climate change resilience – Sustainable solutions for customers – Environmental management – Waste and resources – Conservation and biodiversity	– Health, safety and wellbeing – Employee engagement – Diversity, equity and inclusion – Learning and development – Reward and recognition – Human rights/modern slavery – Community impact	– Business ethics and Code of Conduct – Anti-bribery and corruption – Ethical trading – Sustainable procurement – Leadership ESG remuneration – Responsible tax management

Creating a safe and secure environment for us all to thrive

Our values demonstrate our purpose and ESG framework in action

Our values

Integrity	Collaboration	Performance
ESG fully supported by the QinetiQ Leadership Team and Board.	Industry engagement and leadership. Multidisciplinary internal collaboration.	MSCI AA rating and included in Sustainalytics 2023 Top-Rated ESG Companies List.

We deliver safely, responsibly and sustainably for the benefit of all our stakeholders

Environmental

2023 was the warmest year on record. We have also seen the growing focus on degradation of natural habitats and the impact on biodiversity. Every business has a role to play and a duty of care to manage their environmental impact.

We actively play our part in the stewardship of the environment, by reducing our greenhouse gas emissions, through our conservation activities and the solutions we offer to our customers to help meet their sustainability ambitions, while maintaining capability.

Climate change

Transition to Net-Zero

QinetiQ is committed to reducing our contribution to climate change. Building on our environmental stewardship and reductions in Greenhouse Gas (GHG) emissions, our journey to Net-Zero began in earnest in 2021, with the creation of a Climate Change Steering Group (CCSG), chaired by the Group CFO and attended by senior stakeholders from across the business. A commitment to setting science-based GHG emissions targets, and a Net-Zero Plan followed in early 2022, along with the creation of a permanent role for a Climate Change Programme Manager to lead the delivery of the key initiatives outlined in this Plan. In FY23, our ESG team transferred to the Finance & Governance function, to create a direct link to our Group CFO and consolidate closer alignment with key stakeholders across the QinetiQ Group. In the same year we introduced new metrics into our Leadership Incentive Scheme, tracking the personal contribution of our senior leaders to our Net-Zero Plan and activities to reduce GHG emissions. The scheme was subsequently expanded to a wider leadership community and renamed the Annual Bonus Plan (page 118).

Net-Zero target setting

QinetiQ has been collecting and reporting GHG emissions figures for many years, and we have evolved our methodologies in-line with the GHG Protocol. We have set emissions targets which cover our full value chain, across all categories of Scope 1, 2 and 3 and these were validated by the Science Based Targets initiative (SBTi) in 2022, confirmed as ambitious, and fully aligned to a 1.5°C global temperature pathway. Through SBTi validation, QinetiQ is a member of the SBTi Business Ambition for 1.5°C Campaign and the United Nations Race to Zero Campaign. https://sciencebasedtargets.org/companies-taking-action

SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

As outlined in our Net-Zero Plan, our Climate Change Programme is built on four key initiatives, which are summarised in the table below. Our goal is to focus on absolute reductions in emissions. Within our emissions targets we have made a commitment to at least a 90% reduction across our full value chain by 2050 or sooner. We recognise that eliminating all sources of emissions will be challenging with current technologies and so up to 10% of our footprint may need to be offset. We recognise that change is essential to meet our goals, but change can introduce risk, so we apply programme management rigour with a clear strategy and robust governance. Our Climate Change Programme has been designed to ensure appropriate governance across the QinetiQ Group, to facilitate and support transformational changes to our ways of working. A variety of scheduled reviews and briefings are undertaken to both the Group Director ESG and Group CFO throughout the year, with climate change an agenda item on the monthly ESG Steering Committee, chaired by the Group CEO. Regular progress updates are provided by stakeholder groups across the business, and these are presented in a simplified dashboard, allowing progress to be captured and any areas of concern to be highlighted and resolved.

GHG emissions methodology

Our methodology for calculating our GHG emissions is aligned to the GHG Protocol, and best practice outlined by the SBTi. We are constantly striving to improve our calculations, to obtain a more accurate indication of our emissions. To be transparent about our approach, we publish our methodology documentation on our website. www.qinetiq.com/en/our-company/sustainability/climate-change

Net-Zero targets

	FY20	FY30	FY50 or sooner
Scopes 1&2	**Base year**	-50% **Absolute reduction**	Net-Zero
Scope 3	**Base year**	-30% **Absolute reduction**	Net-Zero
Total	**Base year**	-33% **Absolute reduction**	Net-Zero

Capturing accurate Scope 3 data is challenging, and we use a 'spend-based' calculation for various categories of Scope 3, where 'activity-based' data are currently unavailable. Our largest source of emissions, and most difficult to obtain accurate activity data is Scope 3 Category 1, 'procured goods and services'. As our business grows there is an obvious connection in rising procurement activity to support increased operations. As a result, we expect GHG emissions associated with procurement to increase in the short term, while we work with our supply chain to obtain activity-based emissions data and encourage and support reductions in the emissions associated with what we buy. We are investing in new tools, and developing new processes and policy to improve data management (for example business travel).

Re-baselining of emissions targets

In FY23 QinetiQ made several acquisitions and divestments. Under the guidelines set out by the SBTi, (as outlined within the Restatement Policy of our methodology document), corporate growth beyond a threshold value of 5% should trigger a 're-baseline' of stated GHG emissions targets, to be formally reported once any new acquisitions have been part of the Group for at least 12 months. We are therefore presenting the revised figures here for the first time. The re-baseline process requires the business to re-evaluate the carbon footprint of the organisation as it is today, while 'back-dating' the emissions associated with the new organisational structure to the date on which the original baseline was set.

For QinetiQ, we track our GHG emissions levels against the figures for FY20 (April 2019 – March 2020), therefore as part of the re-baseline we have removed all of the historic emissions figures back to FY20 from the businesses we have divested, while adding historic emissions figures from the new businesses we have acquired. We have maintained our original emissions targets, in terms of the percentage reductions against our Scope 1, 2 and 3 totals, as outlined above.

Net-Zero Plan

Our ambition	QinetiQ will be a Net-Zero company by 2050 or sooner with achievable and ambitious near-term GHG emissions reduction targets. To deliver this, we will take a global whole value chain approach. We will work proactively with our supplier ecosystem, continue to invest in relevant climate positive research and development to help our customers achieve their Net-Zero ambitions, while improving the operational efficiency and biodiversity of our estates and those we manage on behalf of our customers.			
	Achieving QinetiQ Net-Zero			**Contributing to Global Net-Zero**
Our Net-Zero pathway initiatives	**Initiative 1** Net-Zero Operations (Scope I and 2 GHG emissions)	**Initiative 2** Net-Zero Upstream and Downstream focus (Scope 3 GHG emissions)	**Initiative 3** Deliver critical internal and industry-wide enabling activities	**Initiative 4** Co-create with customers, invest in research & development and care for our environment
Our targets	50% reduction from 2020 to 2030 and Net-Zero by 2050 or sooner	30% reduction from 2020 to 2030 and Net-Zero by 2050 or sooner	Create and foster the internal foundation and productive industry engagement to deliver success	Helping our customers achieve their Net-Zero ambitions without compromising their capability

Environmental
continued

The original and updated FY20 baseline emissions for Scope 1 and 2 are as follows:

FY20 Baseline GHG emissions (tCO_2e)

	Re-baselined	Original
Scope 1	28,377	19,289
Scope 2	16,281	16,298

The increase in our recalculated Scope 1 emissions is due primarily to the nature of Air Affairs business which is aircraft based and so significant users of jet fuel. Re-baselining of our Scope 3 data will be finalised during the first half of FY25 and we will publish all updated figures on our website alongside our published methodology.

Scope 1 and Scope 2 emissions

We have adopted a financial control approach, and used the GHG Protocol Corporate standard and UK Government emission conversion factors. We collect relevant data throughout the year via a dedicated team of energy experts. PricewaterhouseCoopers LLP (PwC) carried out a limited assurance engagement on selected GHG emissions data for the year ended 31 March 2024 in accordance with International Standard on Assurance Engagements 3000 (revised) and 3410, issued by the International Auditing and Assurance Standards Board. The figures covered by this assurance process are indicated in the table below by the following symbol Ⓐ. A copy of PwC's report is available on our website: www.qinetiq.com/en/our-company/sustainability/climate-change

Streamlined Energy and Carbon Reporting (SECR)

To comply with the UK Government's Streamlined Energy and Carbon Reporting (SECR) requirements, we present our energy performance in the table below (indicating the proportion for the UK). Our re-baselining exercise has resulted in adjustments to previous years' data and so we have included both re-baselined and previously reported figures in the table below for completeness. The following are examples of energy reduction projects undertaken in FY24:

- Implementation of a new energy monitoring software platform across our UK estate, to provide dynamic consumption figures, helping to highlight anomalies and forecast future demand.
- Installation of low-energy LED lighting solutions at various UK sites.
- Integration of a new multi-engine aircraft within our UK fleet, to increase capability while reducing the utilisation of larger less fuel-efficient platforms.
- Reductions to our UK vehicle fleet, and sourcing hybrid or pure electric alternatives to replace existing assets where possible.
- A trial of bio-fuel as a low emission alternative to diesel.
- UK "Energy Shutdown" campaigns across extended holiday periods in the UK.

For more information see page 40, Initiative 1.

Scope 3 emissions

We have set Scope 3 reduction targets and on page 40 (under Initiative 2) report the programmes that are supporting our goal to reduce these emissions.

We have previously published our FY20 baseline total Scope 3 emissions of 229 $ktCO_2e$, and we publish selected categories of our UK Scope 3 footprint within our annual Carbon Reduction Plan (please see our website for our 2023 report). While we are still processing our full Scope 3 footprint for FY24, we have already identified a significant increase in our emissions associated with business travel, which reflects the increasingly global nature of our business. As part of our annual processing of Scope 3 emissions and our emissions re-baselining activity, we will be restating all of our historic Scope 3 emissions figures from our FY20 baseline year to date, and we will be publishing this information on our website in FY25 enabling us to demonstrate our progress against our target.

GHG emissions reporting

In addition to the information presented here and on our website, we disclose our GHG emissions figures in a variety of formats to a number of external organisations annually including disclosures on our Air Affairs business to meet Australian Government National Greenhouse and Energy Reporting Scheme (NGERS); the publication of a Carbon Reduction plan for our UK business to meet UK Government Policy Procurement Note PPN 06/12; Carbon Disclosure Project (CDP) and Sustainalytics Climate Questionnaire.

Scope 1 and Scope 2 emissions

	FY24	FY23	FY22	FY21	FY20
Total Scope 1 emissions (tCO_2e)	**19,362** Ⓐ	20,996 (PR 13,360)	23,126 (PR 15,727)	23,710 (PR 15,872)	28,377 (PR 19,289)
Total Scope 2 emissions (tCO_2e)	**10,542** Ⓐ	11,358 (PR 11,358)	12,222 (PR 12,236)	13,555 (PR 13,572)	16,281 (PR 16,298)
Total Scope 1 and 2 emissions (tCO_2e)	**29,904**	32,354 (PR 24,718)	35,349 (PR 27,963)	37,265 (PR 29,444)	44,658 (PR 35,587)
Intensity ratio (tCO_2e per £m of revenue)	**16** Ⓐ	20 (PR 16)	27 (PR 21)	29 (PR 23)	42 (PR 33)
Energy consumption (kWh) resulting in the above reported emissions	**132,659,501**	146,600,802 (PR 114,809,565)	154,759,131 (PR 125,261,565)	156,719,332 (PR 122,808,625)	176,376,247 (PR 139,780,656)
Proportion of energy consumption arising from UK operations (%)	**73%**	75% (PR 96%)	80% (PR 98%)	79% (PR 99%)	77% (PR 98%)
Proportion of emissions arising from UK operations (%)	**70%**	72% (PR 95%)	78% (PR 98%)	78% (PR 99%)	78% (PR 98%)

Please note, following the re-baselining of our GHG emissions described on page 37, the figures (in black) in this table are different from those published in previous Annual Report and Accounts. We have included all previously reported figured in green and labelled 'PR' (Previously Reported), for completeness and to meet the requirements of SECR.

Investment in Net-Zero

To deliver our Net-Zero plan, aligned with the four initiatives highlighted on page 37, we are delivering a number of projects; a comprehensive list can be found on pages 40 and 41, summarising what has been delivered in FY24, and planned activities for FY25 and beyond. These programmes are built into our annual Integrated Strategic Business Plan (ISBP). During FY25 we will be developing our Transition Plan (in line with the Transition Plan TaskForce) and aim to publish details in 2025.

Stakeholder engagement

We have seen interest and focus on climate change from all stakeholders with a growing interest in climate resilience as well as emissions reduction. We have been actively participating, sharing knowledge and best practice in a number of cases leading and driving engagement across our industry and business community, for example our Group CEO is Industry Co-Chair of the Defence Suppliers Forum (DSF) and our Group Director ESG Chairs the UK Trade body ADS (Aerospace, Defence and Security) Sustainability Group. We have also engaged with our supply chain, via our industry working groups.

In January 2024, ADS launched a Defence ESG Charter which serves as a guiding framework, outlining commitments to environmental sustainability, social impact, and robust governance. QinetiQ contributed to the development of the charter, and were a primary signatory.

Our round table at the Defence and Security Equipment International (DSEI) Exhibition in September 2023 brought together a group of senior stakeholders from NATO, Australia and UK defence organisations, industry and academia and will be followed with a thought leadership report 'Sustainability on the Edge'. Cross-sector innovation will be central to defence and security effectiveness and climate adaptation. To support this, we engaged with innovators culminating in a Sustainable 'Tech Demo' Day to showcase an exciting breadth of emerging solutions to defence stakeholders.

We have continued and strengthened our cross-defence and industry collaboration. We are working with our academic partners to explore future capability development. We have continued to run the CHACR (Centre for Historical Analysis and Conflict Research) programme which includes collaboration on Climate Change and (In)stability with Oxford University.

We engage with shareholders directly to discuss ESG and also provide ESG information to MSCI, Sustainalytics and CDP.

For our people we communicate regularly about sustainability through a range of channels and on a variety of topics. We have a dedicated online Community of Interest for sustainability (The Sustainability Knowledge NetworQ). During the year we have run a number of talks as part of our "Let's Talk Sustainability" series, with inspirational internal and external speakers. Many of our people show significant interest in climate change and regularly pose questions to leaders as part of our Global Employee Roadshow. Net-Zero forms part of our leadership incentive scheme see page 118 and we have provided a range of resources, blogs and drop-in sessions to support leaders.

Case study

Photovoltaic (PV) panel installation

At our Haslar site in the UK, we have installed three arrays of ground-mounted PV panels. The 2,000m[2] installation is expected to generate over 200 MWh, avoiding approximately 45 tCO_2e annually.

The arrays were installed towards the end of FY24 and in total, 35 MWh of renewable power was generated in the year.

This project and the installation of PV arrays at our QTEC facility in Melbourne form part of a wider programme to reduce our use of fossil fuels.

Environmental continued

Net-Zero pathway initiatives

QinetiQ's Net-Zero GHG Emissions reduction programme: activities delivered to date and future plans

Three things to **SWITCH OFF** Lighting | Heating | Electrical equipment

Achieving Net-Zero

Initiative 01 Net-Zero operations

Scope 1 and 2 GHG emissions

Completed in FY24

- Bio-fuel trial, testing the replacement of diesel in specific assets with Hydrotreated Vegetable Oil (HVO), as a scoping exercise to support finalising plans for a phased removal of fossil fuels from our operations.
- Installation of Photovoltaic (PV) arrays at our Haslar site in the UK, as a pilot for future implementations across our UK estate and the estate that we manage on behalf of our UK customers. See Case Study on page 39.
- Installation of additional electrical sub-meters across our UK estate, providing greater granularity on our electricity consumption, coupled with the implementation of a new third-party energy monitoring platform to enable more dynamic management of our energy usage and deeper analysis of trends to drive improvements in efficiency.
- Installation of additional Electric Vehicle (EV) charging stations across our UK estate, to support the ongoing adoption of more EVs across our corporate fleet, and for use by employees, customers and visitors.
- Performed risk analysis for a specific use-case to determine feasibility of using Sustainable Aviation Fuel (SAF) in future flight trials.

Planned for FY25 and beyond

- Installation of more renewable power sources across our UK estate.
- Installation of additional electrical sub-meters across our UK estate.
- Installation of additional EV charging units across our UK estate.
- Assess the findings of the HVO trial, and use these to refine our plans for the phased removal of fossil fuels from our operations.

Initiative 02 Net-Zero upstream and downstream focus

Scope 3 GHG emissions

Completed in FY24

- Roll-out of a new business travel booking platform across the Group, to provide a consistent approach to sourcing travel services and greater access to travel data to enable analysis and insight. Also making it easier for employees to include their travel carbon footprint into informed travel choices.
- Successfully delivered three Supply Chain Net-Zero summits across Europe, Americas and Australia to provide an in-depth understanding of the importance of supply chain to reducing Scope 3 emissions associated with Purchased Goods and Services and Capital goods.
- Engagement with colleagues across our Procurement functions, providing tools and resources to enable greater knowledge-sharing with our supply chain.
- Implementation of a new Supply Chain Taxonomy, enabling greater analysis and insight into our procurement practices to drive change.
- Following installation in 2022, the 200kw PV array is successfully running at the leased QTEC facility in Melbourne. The project won the Responsibility and Sustainability category of the 2023 Global Recognition Gala Awards.

Planned for FY25 and beyond

- Evolving our approach to business travel, enabled and supported by our new travel booking platform.
- Potential project to install PV panels at our leased facility in Medicine Hat, Canada.
- Implementation of a new Net-Zero clause in our standard terms and conditions, to support a drive for greater sustainability across our supply chain (see Page 55).

Initiative 03 Deliver critical internal and industry-wide enabling activities

Completed in FY24

- Investment in a number of innovation projects, directly supporting our Net-Zero plan, sourced through our employee ideation platform the IdeaXChange, and our internal research and development fund.
- Improved climate change element of our environmental mandatory training module for all employees.
- Second year of direct alignment of the Annual Bonus Plan for senior leaders to GHG emissions reductions, and inclusion of a larger leadership community (see page 118).
- Internally-developed Carbon Calculator available to all employees to help them calculate the carbon footprint of their activities.
- Hosted a roundtable discussion at the Defence & Security Equipment International (DSEI) exhibition with key customer representatives around sustainability and the forecast impact of climate change on their operations.
- Leadership of a number of industry collaboration forums and initiatives (see page 39).
- Signatory to the ADS EGS Charter (see page 39).
- Signatory to the Defence Aviation Net-Zero Charter
- Significant contribution to the Defence Supplier's Forum GHG Code of Practice.

Planned for FY25 and beyond

- Implementation of a new platform for GHG Emissions Data Management, to streamline our data processing and enable greater agility in meeting emerging reporting requirements, while offering analytical capabilities to support future planning.
- Strengthen environmental impact within our Technical Assurance processes, to drive greater sustainability in our ways of working and our delivered solutions.
- Review the introduction of environmental metrics into our Project Management toolset, to provide a better understanding of the impact from our operations.
- Review the formal introduction of our existing internal carbon price into financial forecasting toolsets.

Contributing to Global Net-Zero

Initiative 04 Co-create with customers, invest in research and development and care for the environment

Completed in FY24

- Successfully delivered a Sustainable 'Tech Demo' event and webinar, focussing on small to medium enterprise (SME) business innovators and examples of potential for cross-sector innovation to support Defence challenges.
- Successfully delivered an ACE Research Network event relating to sustainability and how digital, data and security can contribute towards Net-Zero.
- Delivered support to DE&S on Sustainable Acquisition and the changes required to enable MOD to purchase lower-emission and more climate-resilient technology.
- Worked with customers to develop the Deployable Active Smart Grid (see case study page 42)

Planned for FY25 and beyond

- Ongoing participation in collaborative forums to shape future solutions to address defence and security sustainability challenges.
- Presentation of our work in software-defined mobility solutions to NATO panel.
- Delivery of internally funded studies on defence energy transition termed 'energy-informed operations' and climate scenario war-gaming.
- Publication of 'Sustainability on the Edge' thought leadership report.

Environmental continued

Sustainable solutions and innovation

This year we allocated a modest but dedicated portion of our internal research and development (IRAD) funding to focus on sustainable science and technology. Supported by an Innovation Mentor, this builds on the launch of the IdeaXchange Net-Zero channel in 2023. Projects included the sustainable disposal of energetic materials, work on plant-based polymers, eletro-optic monitoring of building heat loss, exploring cultural change toolkits and the benefits of electrification in defence operations (see case study below). We supported our customers in the UK to establish methods to acquire and support lower-emission, more climate-resilient capability, and collated the methods required to enable a coherent energy transition for defence. We continue to deliver a small proportion of our revenue from sustainability-related products and services (also see page 41).

Environmental management

Reflecting our intent to integrate environmental governance and leadership more strongly into our core strategies, QinetiQ's environmental policy commitments were incorporated into a new Environmental, Social and Governance Policy in FY24, sponsored by the Group CFO. We continue to demonstrate environmental management systems conformance to the Standard ISO14001:2015 for our activities at 24 locations in the UK and one location in Canada.

Our Environment Council is now operational, and the primary focus of this multi-national governance forum in FY24 has been to develop an overarching approach to the environment across the Group, and development of a new set of environmental requirements that go beyond legal compliance and set a framework for continual improvement in the way we progress environmental stewardship across QinetiQ. These requirements are due to be published in early FY25. A Group-level environmental management assurance initiative commenced in FY24, focusing on Business Management Systems documentation related to internal environmental standards in the UK and customer environmental management plans in Australia. Trends in environmental incident reporting is part of Board reporting, and in conjunction with a health and safety incident reporting campaign, an initiative to improve the awareness of environmental incident reporting is under development and will be promoted in FY25.

During FY24 we developed new environmental content for our integrated environment, health and safety training which all employees will be required to complete in FY25. This training will continue to evolve and new content, focusing on climate change, will be developed during FY25.

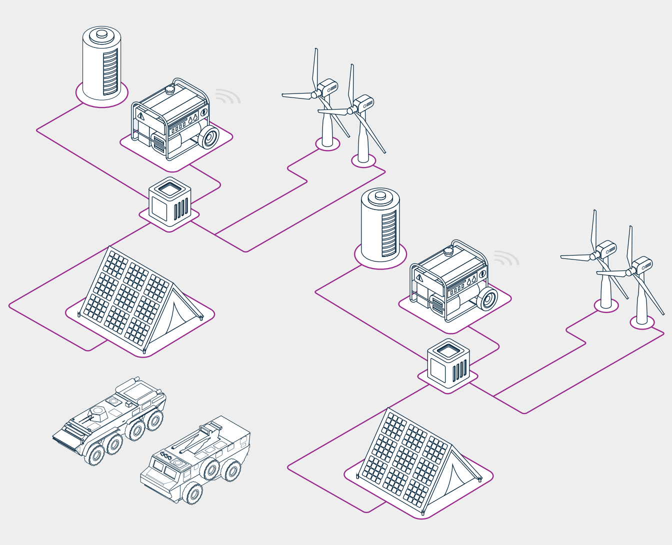
Waste management

For several years we have been reporting annual proportion (%) of UK waste that is re-used and recycled from underlying waste production. Non-hazardous solid waste and hazardous waste generated represents a relatively low level of materiality on environmental and financial impact as part of our operations. We are currently reviewing our environmental data and metrics and will be defining new metrics and targets in the year ahead to reflect our priorities and new reporting requirements.

Conservation and biodiversity

Eelmoor Marsh is a SSSI (Site of Special Scientific Interest), and forms part of our site in Farnborough, in the UK. We have worked with our conservation experts Marwell Wildlife to provide stewardship on this important site. We have raised awareness of the importance of biodiversity and conservation through our sustainability talk series as well as running conservation days as part of our environmental volunteering programme. We continue to perform conservation and biodiversity protection works at the sites we run on behalf of the MOD locations; supporting operation delivery while protecting flora and fauna.

In FY25 we will continue to focus on environmental stewardship programmes, building greater connection with our Net-Zero plan. We will be reviewing our policy and further improving training, awareness and environmental volunteering to engage our people.



Artist's impression of DASG

Case study

Deployable Adaptive Smart Grid

The energy transition is intricately linked with climate change and requires our customers to adapt to maintain their ability to operate. In parallel, the electrification of the battlespace is significantly increasing the demand for electrical capacity and reliability. QinetiQ is co-creating a Deployable Adaptive Smart Grid (DASG) with our Australian Defence customers (image shows an artist's impression) When mature the DASG will address the shortfalls in current deployable electrical systems by managing generators, loads, energy storage and external connections to reduce fuel consumption, maximise grid resilience and maintain power quality. It will be accessible to non-expert users and will enable the integration of varied energy sources such as gas turbines, fuel cells, energy storage and renewables.

Taskforce on Climate-related Financial Disclosures

The Financial Stability Board's Taskforce on Climate-related Financial Disclosures (TCFD) recommends a reporting framework across four themes: governance, strategy, risk management and metrics and targets. In line with Companies Act disclosure requirements (CA06 s414CB(2a) and following the TCFD all-sector guidance (there is no specific supplementary guidance for our sector) we provide our disclosures here (pages 41-45) aligned to the four themes and providing material information against each requirement (we also outline our approach on page 68 in our non-financial information and sustainability statement). We provide links to where further information is provided in this Annual Report and Accounts and on our website. We are committed to implementing this approach to provide investors and other stakeholders with information on climate-related risks that are relevant and material to our business.

Compliance statement

We believe our approach is consistent with 10 of 11 of the TCFD recommendations and recognise we need to do more on quantitative modelling as part of the Strategy disclosures. During FY24 we have worked with third-party experts to develop new financial models to progress our quantitative financial assessment and will be testing these during FY25. We are also currently re-baselining our GHG emissions and so will be publishing our Scope 3 data for FY24 during FY25, and not in this report.

Board governance

The QinetiQ Board has overall responsibility for our ESG approach and climate change forms a core part of this agenda. It has oversight of the threats and opportunities resulting from climate change, and this is considered as part of our strategy. Our Group CFO is the Board Sponsor for the wider ESG programme, including climate change. Both the Group CFO, and our Group Director of ESG provide regular reports and briefings on ESG and climate change to the Board and Board Committees (see page 81 for our Board Governance Structure and pages 78-80 for membership of these committees).
The QinetiQ Board sets the Company's strategic priorities, including ESG and Net-Zero and has regular oversight and input into our Net-Zero programme. As part of the regular monitoring and reporting cycle, the Board were updated and discussed climate change at the May and November FY24 meetings, ensuring their oversight of progress against our targets.

Governance

Disclose the organisation's governance around climate related-risks and opportunities

TCFD recommended disclosures:	Additional information
a) Describe the Board's oversight of climate-related risks and opportunities b) Describe management's role in assessing and managing climate-related risks and opportunities	Page 68: Non-financial information and sustainability statement Page 78-81: Board Directors and board structure and committees Page 100: Audit Committee Page 110: Remuneration Committee Page 60: Climate Change Principal risk Page 54: ESG Governance Page 118: Leadership incentives Page 39: Leadership engagement

In addition the Board reviews our Integrated Strategic Business Plan (ISBP), where climate change is integrated into functional/sector plans and approves the annual budget (which contains Net-Zero targets and programmes). The Board also received updates on principal risks twice each year, which includes the climate change principal risk.
The Audit Committee reviews and monitors QinetiQ's financial and non-financial reporting requirements including TCFD. Updates on non-financial reporting were provided at both the November and March FY24 meetings (see page 100).
The Remuneration Committee has overseen and supported the inclusion of ESG within leadership incentives, including Net-Zero for the 2nd year, approved at the May meeting.
The Risk and Security Committee has oversight of and provides assurance to the Board on QinetiQ's risk management system. This includes quarterly monitoring and review of all QinetiQ principal risks, which includes the climate change principal risk (page 60).
Management governance and oversight
The ESG Steering Committee, Chaired by the Group CEO, provided oversight, leadership and scrutiny of our Group ESG commitments and initiatives including performance against our Net-Zero Plan (see page 54). The Committee meets monthly and includes the Group CFO, Group Director ESG and members of the QLT. Leadership and delivery of the Climate Change Programme are the responsibility of the Group Director of ESG, reporting to the Group CFO. The Climate Change Programme includes leaders and subject matter experts from across the business, ensuring the necessary multidisciplinary approach. The programme is supported by a dedicated programme manager. The regular programme reviews and meetings create a senior forum for developing and implementing strategy and plans and for reviewing risks and performance. Climate change is a principal risk (see page 60) and the Group Director ESG is responsible for identification, assessment and oversight of the risk and opportunities, undertaking monthly reviews of the programme and capturing those risks through the enterprise risk management governance process. The Group CFO has oversight of the programme and in addition to regular updates, undertakes a formal six-monthly review of progress and plans. Functional Councils support good governance across QinetiQ, where functional and sector leaders come together to communicate, review and agree on issues, actions and standards of best practice that are enterprise-wide and/or have operational significance. Relevant to our Climate Change Programme is the Environment Council, Chaired by the Group Director ESG, and the Risk and Assurance Council, Chaired by the Group Chief Risk Officer, attended by the Group Director ESG. Climate change has also been on the agenda at the Finance Council.

ESG and climate change form an integral part of our ISBP process, and so consideration of the role of individual sectors and functions was undertaken in H2 during the planning process, with oversight by the Group Director ESG and then reviewed by the CEO, CFO and Chief Strategy Officer.

In FY24, leaders were again incentivised specifically linked to our Net-Zero plan (See page 118). The scheme was expanded to include a larger cohort than FY23. This ongoing focus and involvement by leaders strengthens our commitment to our Net-Zero plan and underpins our leadership engagement (see page 39), oversight and governance.

Environmental continued

Taskforce on Climate-related Financial Disclosures continued

Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's business strategy and financial planning where such information is material

TCFD disclosures:	Additional information
a) Describe the impact of climate-related risks and opportunities on QinetiQ's business, strategy and financial planning b) Describe the resilience of QinetiQ's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario c) Describe the resilience of QinetiQ's strategy taking into consideration different climate related scenarios, including 2°C or lower scenario	Pages 40–41: Net-Zero initiatives Page 8: Strategic framework Page 60: Climate Change risk Page 118: Leadership incentives Page 33: Non-financial KPIs Page 37: Net-Zero plan and targets Page 42: IRAD funding Page 62: Viability statement

Climate-related risks and opportunities

Working with third-party experts, in FY24 we have reviewed and refined our climate-related risks and opportunities (see table on page 45). We have assessed that our business is exposed to both physical and transitional risks (before mitigation activities) and opportunities, with impacts varying over the short (0-2 years), medium (2-5 years) and long-term (5-20 years), depending on climate change scenarios. This aligns with our business planning cycle (our ISBP operates a rolling five-year cycle). Each risk was associated (qualitatively) with a financial impact, for example an increase in costs or in the case of opportunities, an increase in revenue.

We will continue to review our risks and opportunities as the external landscape and our business evolves over time, and we will also refine our approach, particularly focusing on quantifying the impacts, and we will report further information as this develops.

Impact on business strategy and planning

As the climate change risks (threats and opportunities) we have identified what will impact our business, we recognise the importance of integrating climate change and wider ESG into our strategy and planning and our wider business processes. While there is no requirement for a fundamental shift in our overarching business strategy due to climate change, having assessed the risks we understand it to be resilient to climate change (subject to the delivery of the plans and programmes).

We have committed funding to support our Net-Zero programme for a range of initiatives across our functions and sectors (see pages 40 and 41).

This is illustrated as follows:

- Our commitment to sustainability is part of QinetiQ's overarching strategic framework (page 8).
- Climate change is a principal risk (outlined on page 60).
- Scope 1 and Scope 2 GHG emissions form one of our core non-financial KPIs (page 33).
- Net-Zero is integrated into our leadership incentives (page 118).
- In FY22 we developed and published our Net-Zero plan; including targets for emissions reduction (page 37). An overview of progress and plans is provided on pages 40-41 along with links to the full plan.

ESG and climate change are embedded in our annual ISBP process. During FY23 we planned for a number of actions which were implemented in FY24, including:

- Allocation of budget to deliver energy saving projects which reduce our dependence on fossil fuels.
- Increase in resource: increasing our energy team capability and capacity and a new dedicated role to lead on sustainable solutions for customers.
- Investment in development of tools to mature the modelling and financial quantification of climate impacts.
- A new internal research and development (IRAD) fund to support Net-Zero projects (see page 42).
- Investment in access to third-party horizon scanning tools.

During our ISBP planning process in FY24 we undertook the following:

- The requirement for all sectors and functions to consider their contribution to ESG and Net-Zero.
- Refinement of our investment approach including greater emphasis on Net-Zero;
- Allocation of investment in our Net-Zero plan - including new GHG management tools and energy saving projects.
- Development of further resources and training on climate change for leaders and employees.

In addition as part of the broader scenario impact assessment of our ISBP, a climate change event (a significant flood at a critical site) was selected as one scenario for financial modelling. The findings inform the consideration of the recommended longer-term viability statement and going-concern statement disclosures (see page 62). Through the ISBP process we have also identified potential business growth opportunity with our customers.

Focus for FY25

During FY24 we worked with third-party experts to develop new tools to help define how to quantify the financial impacts of climate change, and will continue to develop this as part of our climate resilience programme, focusing on the risks and the controls and mitigations. We will continue to develop detailed transition planning (see page 39) which will underpin how we achieve Net-Zero targets and commitments, and mitigate the climate related risks we have identified. We will be further focusing on quantifying the growth potential of customer solutions, currently a small part of our capability portfolio, but with recognised potential.

Type of risk	Cause	Risk effect (unmitigated)	Financial impact	Scenario: Declining emissions	Scenario: Stabilising emissions	Scenario: Rising emissions	Mitigation/adaptation
Physical (acute)	Flooding	Direct damages to sites due to increase in severity and frequency of flooding, resulting in damage to assets and causing disruption to operations.	Reduced revenue and increased costs	X SM	XX SML	XX SML	– Risk assessment – Climate resilience business continuity planning – Customer and supplier engagement
Physical (chronic)	Extreme temperature fluctuations	Increased need for cooling and heating to minimise damage to high-value equipment within buildings.	Increased costs	X SM	XX SML	XX SML	– Risk assessment – Climate resilience business continuity planning. – Customer and supplier engagement
Physical (acute)	Wind and storms	Direct damage to operational sites due to wind and associated storms, resulting in disrupted operations and increased cost for building repairs.	Reduced revenue and increased cost	X SM	XX SML	XX SML	– Risk assessment – Climate resilience business continuity planning – Customer and supplier engagement
Transition (market)	Increased cost of energy	Energy costs, such as those related to fossil fuels and electricity derived from non-renewable sources, are expected to increase.	Increased costs	XX SML	XX SML	XX SML	– Improving forecasting – Reduce reliance on energy through Net-Zero programme
Transition (policy & legal)	Carbon taxes	Current and emerging regulations on carbon emissions may result in carbon taxes.	Increased costs	XX ML	XX SML	XX SML	– Legislative monitoring – Energy reduction programmes
Transition (market)	Cost of raw materials	Potential for exposure to increases in prices of raw materials directly or in supply chain.	Increased costs	X ML	X M	X M	– R&D investment – Customer and supplier engagement
Transition (reputation)	Access to capital	Failure to meet shareholder expectations of Net-Zero commitments, and resulting access to or cost of capital.	Increased costs	X L	X SML	X ML	– Reporting of progress – Investor advocacy – Customer and supplier engagement
Opportunity (product and service)	Increased customer demand	Growth in customer demand for more sustainable and resilient solutions could result in increased sales/access to new markets.	Increased revenue	X ML	XX ML	XX SML	– R&D investment – Customer and supplier engagement

Key: Scenarios (see below) Impact: x=low; xx=medium and xxx = high impact; Timescale: S=short term; M=medium term and L= long term

Climate scenarios

While it is unequivocal that the climate is changing, the precise trajectory is dependent on the influence of activities in the past, the global action taken now and in the coming years and the rate at which that action is taken.

To guide our strategy and planning, we consider different scenarios:

- **<2°C** strongly **declining** emissions**:** Intensification of decarbonisation action resulting in increasing and rapid transition, with more limited physical impacts.
- **2-4°C stabilising**/slowly declining emissions: Physical risks continue and transition risks continue to increase.
- **>4°C: rising** emissions**:** Failure to address climate change results in high physical risks with more limited transition issues.

We used the scenarios above, based on the Representative Concentration Pathways (RCPs), which are used by the Intergovernmental Panel on Climate Change (IPCC). We considered horizons aligned with our Net-Zero targets and used a variety of data sources.

We have aligned our assessment with our risk management approach (see next section - page 46) so that we are able to evaluate as low, medium or high. We plan to review this approach regularly.

We have made a qualitative assessment of the financial impacts (see above) and are currently working on modelling the quantitative impacts and this will be a focus for FY25.

Environmental continued

Taskforce on Climate-related Financial Disclosures continued

Risk Management

Disclose how the organisation identifies, assesses and manages climate-related risks

TCFD disclosures:	Additional information
a) Describe QinetiQ's processes for managing climate-related risks	Page 56: Strategic risk management Page 37: Net-Zero plan
b) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management	Page 37: GHG emissions data Page 39: Industry engagement Page 42: Environment Council
c) Describe how processes for identifying, assessing and managing climate related risks are integrated into QinetiQ's overall risk management	Page 60: Climate change principal risk Page 43: Board oversight

Identifying risk

In line with TCFD recommendations, our risk assessment approach addresses both physical risks and transition risks.

Climate change is a significant global issue and considerations for businesses include physical risks (with factors such as flooding and extreme weather events) and transition risks, which are related to the transition to a lower-carbon economy, such as policy or regulation change and changing markets. It is important that we understand where these types of issues are material to our business.

For **physical risks** we considered these primarily by site, and also considered issues such as our supply chain and business delivery. A variety of potential risks have been identified and captured (for example where there may be increased flood risk or exposure to storm events). We recognise that this needs to be a continuous process as there may be change, either due to new emerging information or changes to our business (e.g. use of site, supplier, etc). As part of our day-to-day management of our site operations, we are have a good understanding of the physical risks posed and the suitable mitigations.

To identify **transition risks** (such as market or regulatory changes) we undertake horizon scanning to identify any relevant changes. We have invested in access to a new third-party tool to strengthen our horizon-scanning approach.

During FY23 we acquired new businesses: Avantus, with offices in the US and Air Affairs, with facilities and an aircraft fleet, based in Australia. Integration of these acquisitions progresses and we are focusing on improving data capture processes. We have also explored how we can further include aspects of Net-Zero and climate resilience as part of our mergers and acquisitions (M&A) approach.

Assessing risk

We recognise the need to review and update our risks regularly as our business evolves and the global landscape changes. So, building on the risk assessment work completed in FY22 and FY23 (which included briefings and workshops), we undertook a detailed risk review and multi-stakeholder workshop supported by third-party experts. Risks and opportunities were scored considering:

– the potential impact,
– the likelihood of occurrence,
– the velocity (proximity of occurrence).

Scenario analysis has been undertaken on our most material risks and opportunities, and this has formed the foundation for our new financial models to quantify financial impacts (taking into account impact on revenue, costs, and asset value).

Management of risk

Our risk management and control framework enables us to effectively identify, assess, monitor and manage risks.

Ownership and management of individual risks are assigned to members of the QLT who are responsible for ensuring the operational effectiveness of internal control systems and for implementing risk mitigation plans. Climate change is recognised as a principle risk (see page 60) and the Group CFO is accountable. This risk is reviewed quarterly.

The Board Risk and Security Committee review and discuss principle risks quarterly and the Board undertakes a twice yearly assessment of the principal risks (see page 43).

The QLT is supported by our Chief Risk Officer and our risk managers, who are able to have more tactical and operational oversight. All risks are assigned owners.

Integrating/embedding into risk management

We have based our approach to climate risks on our existing risk management methodology (see page 56), to ensure that we are embedding it into our existing processes.

We will continue to regularly review physical risks across our sites, recognising potential for different impacts across our different geographies (primarily UK, US and Australia as well as Germany and Canada), as part of our risk management process. Managing transition risks requires us to consider a range of factors which could impact our business in the future. We routinely undertake horizon scanning for aspects such as emerging regulation and evolving markets (e.g. via our close engagement with customers on Net-Zero). Any new changes (e.g. new legislation) will be addressed in line with our standard processes. Key to supporting the management of risks is raising awareness and engagement with internal stakeholders. Our Sustainability Knowledge NetworQ (an interactive online portal for key stakeholders and all employees) includes a dedicated climate resilience 'resource hub'. We also engage with key stakeholders such as our Environment Council. We ran climate change workshops for our procurement community across the Group to explore emissions reduction and climate resilience associated with our supply chain. We are also co-creating a sector programme on climate resilience, through our role in the Defence Suppliers Forum (page 39).

Through FY24 and FY25 we are reviewing our Group policy to ensure that we have established and are maintaining robust and adequate procedures, systems and controls, to ensure the Group is able to manage risk and comply with its obligations.

Metrics and Targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material

TCFD disclosures:	Additional information
a) Disclose metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	Page 33: Non-financial KPIs Page 37: Net-Zero targets Page 36: Validation of targets Page 118: Leadership incentives
b) Disclose Scope 1, 2, and if appropriate, Scope 3 GHG emissions and if appropriate Scope 3 GHG emissions and the related risks	Page 38: Scope 1 and Scope 2 GHG emissions Page 38: Intensity ratio and energy consumption Page 38: Scope 3 GHG emissions
c) Describe the targets used by the organisation to manage climate related risks and opportunities and performance against targets	Page 56: Risk management Page 37: Net-Zero plan

Metrics and targets

A key part of addressing the risks of climate change is to transition QinetiQ to Net-Zero, and so key metrics and targets are associated with our GHG emissions. We report progress against all key material metrics within the relevant sections of our Annual Report and Accounts.

Our metrics

In FY21 we introduced Scope 1 and Scope 2 GHG emissions as one of our non-financial KPIs (see page 33). We currently monitor a number of non-financial metrics for our wider ESG programme and environmental stewardship. This includes our waste, water use, and contribution to biodiversity. We report a number of material metrics in this Annual Report and Accounts (summary table below), which have a bearing on climate change; such as intensity ratio and energy (see page 38). Our sites form the basis of our assessment of the physical risks, and employees are a driver for our operational footprint (e.g. business travel).

Metric	FY24	FY23
Intensity ratio (tCo2e per £m of revenue)	16	20
Energy consumption (GWh)	133	147
Proportion of energy consumption from UK	70%	72%
Sites	60	60
Employees	8,588	8,261

Our targets

As part of our Net-Zero plan, published in March 2022, we committed to near-term and long-term targets across our value chain (see page 37) validated by SBTi in June 2022 (all from a FY20 baseline).

Scope	Reduction	Target date
Scope 1&2	50% absolute	2030
Scope 3	30% absolute	2030
Scopes 1,2 & 3	Net-Zero	2050 or sooner

We aim to limit neutralization to less than10% of our emissions.

In FY23 we introduced Net-Zero into our leadership incentive scheme and for FY24 aligned with reductions in Scope 1, Scope 2 and aspects of Scope 3 emissions (page 118).

Disclosure of Scope 1, 2 and 3 emissions

We align with the Greenhouse Gas Protocol to calculate our emissions (page 35) and publish our methodology for Scope 1 and 2 on our website. www.qinetiq.com/en/our-company/sustainability/climate-change We have re-baselined our data to account for new acquisitions and divestments (page 38).

	Year	GHG Emissions (tCO_2e)
Scope 1	FY24	19,362
Scope 2	FY24	10,542

Scope 1 and scope 2 emissions have been subject to independent limited assurance procedures (see page 38 for details). We are in the process of calculating our Scope 3 emissions and will be publishing data in FY25 (we are not publishing previous Scope 3 data here as it is currently being re-baselined and so figures would not be correct and could be misleading). We disclose our GHG emissions as part of a number of regulatory, customer, and voluntary requirements, (see page 38).

Our Net-Zero plan identified how we will address the reduction of emissions through four initiatives, and we describe the progress against these plans on pages 40 and 41. As part of our risk management approach we are managing the risks associated with the delivery of this plan and these are described on page 56. We also describe on page 38 the challenge of Scope 3 data and the approach we are taking to address this.

During FY25 will engage with stakeholders to develop a Transition Plan (aligned with guidance from the Transition Plan Taskforce) to build on our published Net-Zero plan and our current programmes. We plan to publish information on the Transition Plan in 2025.

Performance against targets

On page 33 we have reported a 33% reduction in our Scope 1 and Scope 2 emissions against our re-baselined FY20 number towards our target of 50% reduction by 2030. We will be reporting progress against our Scope 3 emissions target during FY25 when we have published our FY24 data and completed the re-baselining exercise. However, we have identified there have been an increase in some categories of Scope 3, (e.g. Business Travel). We use our Net-Zero targets to drive our Net-Zero plan, managing the risks to delivery and maximising opportunities. Progress against the plan is detailed on pages 40-41. Progress against the non-financial component of the leadership incentives are reported in our remuneration report (page 118).

Plans for FY25

We will be focusing on an ESG data improvement programme during FY25 and so will be looking holistically at the most material metrics and targets to inform our climate change and wider ESG programmes and aim to share further metrics and targets as part of future TCFD reporting.

Social

To support our people we are focused on having a culture that enables sustainable growth and a high-performance environment where they can thrive and deliver.

Furthermore, it is also important to us that we have a positive social impact in the communities in which we operate.

Our people

Safety and wellbeing

Safety

We continue to reinforce the positive impact we have on the health, safety and wellbeing of our people, creating a safe and secure environment for us all to care and thrive. Our QinetiQ Group-wide Safety Improvement Programme which was established in FY22 provides us with strong foundations for the future and we are proud of our achievements in FY24:

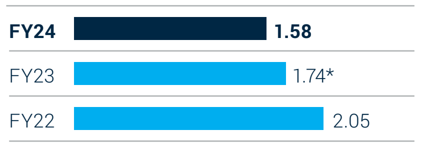
- Strengthened our global safety organisation further and built internal capability, enabling us to transition our safety improvement delivery in-house, while still maintaining a partnership with third-party experts dss+.
- Conducted risk stabilisation activities across the majority of our global footprint, setting us up for sustained, detailed safety assurance activities and refining our future approach.
- Brought in additional subject matter experts to support a risk-based approach at a strategic, tactical, and operational level in the areas of safety, occupational health and wellbeing.
- Refined the safety maturity assessment we introduced in FY23 to enable the ongoing measurement of our safety culture maturity and to identify improvement opportunities throughout the year.
- Linked our Common Goals to safety culture maturity to amplify the impact our leadership community has on our Safety Improvement Programme (see page 118).
- Refreshed our safety technology suite, introducing a new safety compliance tool to work in a more standardised way across the Group as well as making ongoing enhancements to our safety incident reporting system.
- Continued to update and refresh our safety management system and refine our processes, working closely with the teams in all our markets.

Our safety performance over the past 12 months shows:

- A fall in our Total Recordable Incident Rate (TRIR) rate from 2.75 in FY23 to 2.54 in FY24. (TRIR is calculated using the total number of recordable incidents, multiplied by 1000, divided by the average number of employees in that year).
- A decrease in our LTI rate from 1.74 in FY23 to 1.58 in FY24. LTI rate is one of our non-financial KPIs (see page 33).

Lost Time Incident (LTI) Rate[1]

1.58



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

* FY23 data have been restated (previously reported as 1.20) following a data improvement programme.

There were no prosecutions or prohibition notices issued by regulators during FY24.

We were deeply saddened by the fatal crash involving two aircrew on-board one of our PC-9 aircraft in the Neuenstein area of Germany whilst on a customer training exercise in September 2023. Our thoughts remain with the families and close colleagues. Although the formal investigations into this accident are ongoing, we do not believe that there was any contributory fault by the Company.

As we prepare to transition our Safety Improvement Programme activities into business as usual, and refine our ways of working, we continue to invest in our commitment to safety. Ongoing engagement of our people in our safety improvement journey is key and we will undertake a follow-on global safety perception survey in FY26.

Wellbeing

Our wellbeing strategy provides direction and a common approach for our wellbeing programme, which ensures we have the tools, techniques and support networks to take care of our people. Our strategy includes not only physical and mental health, but also personal growth, working environment and financial wellbeing. Senior Level-led governance is in place with oversight of both wellbeing and safety through our Wellbeing Steering Group.

Through our Group enterprise agreement with LinkedIn Learning, we've provided access to resources to support the leadership of wellbeing for managers to help build their skills to support their own wellbeing and the wellbeing of their team. We've also reviewed the toolkits we provide to cope with workload and stress and anxiety.

To support financial wellbeing we've continued our employee hardship fund which has enabled 74 employees to access additional funds to help them through times of financial difficulty. Our progressive pay and reward review this year has also supported our Financial wellbeing initiatives, uplifting salaries to address market-rate gaps.

One of our many wellbeing interventions is Yu-life, an incentive-based App, providing daily challenges to improve physical and mental wellbeing. There is also a social impact benefit as completing the challenges can convert into opportunities to contribute to environmental or social good causes. We have seen 4,574 trees planted and 4,204 meals gifted.

We are progressive with adaptive working patterns, with colleagues shaping how and where they work so as to deliver the best business outcomes and support employee wellbeing.

How we support our people through our wellbeing agenda and strategy is evolving for FY25. Our focus will be to review our overall approach to health and wellness, across the entire employee life cycle.

Diversity, equity and inclusion

Creating an environment where everyone feels they belong and can thrive is a vital part of our culture. In FY23 we launched our Inclusion, Diversity and Belonging Strategy (published on our website www.qinetiq.com/en/our-company/sustainability/diversity-and-inclusion). It shares our progress so far, as well as our focus and direction, demonstrating how we are committed to:

- Fostering inclusive behaviours and creating an environment where our people can thrive;
- Actively increasing the diversity of our Company to reflect the communities in which we operate;
- Providing equity of opportunity to all our people and prospective employees;
- Engaging with our customers, supply chain and external partners demonstrating and promoting best practice;
- Keeping our people, customers and shareholders informed of our progress.

In FY24 we appointed a new Global Inclusion, Diversity & Cultural Development Lead to work with colleagues across our Company to deliver our strategy.

The following outlines our focus and achievements in FY24.

Since October 2022, we have been proud to be part of KPMG's Cross Company Allyship programme, which is a mentorship initiative bringing together mentors with mentees with a focus on supporting those from black heritage and ethnic minority backgrounds to address under-representation in leadership positions. In our first cohort we had 20 mentees and 13 mentors and the current cohort, 16 mentees and 16 mentors.

In the US, our Head of Diversity Initiatives has launched a Leadership Inclusion Council to identify and champion "The Path to Belonging" which focuses on:

- Take care of yourself (Health and wellness)
- Take care of each other (ERGs)
- Take care of our community (Service Squad)

These focus areas are underpinned by the US Employee Resource Groups (ERG).

In FY23 we introduced a new diversity and inclusion category into our Gala Awards. The winners in the category represent the teams and people who go above and beyond their day-to-day roles to create a workplace where everyone feels they belong. In FY24 the winners of the category were the Neurodiversity Employee Network Group; a team of volunteers who care passionately about creating an inclusive place to work. The team were aware there was a need to raise awareness and understanding of this topic and they collaborated to create a session they could deliver virtually. They worked hard to research content, building on their own experiences to ensure it was presented in a way that was thoughtful, sensitive and impactful. Over 1,000 people voluntarily attended the sessions, demonstrating that this is a topic people would like to know more about.

Social
continued

With the introduction of a new people system (Success Factors) in FY21, we ensured we were able to capture diversity information about our people; to address gaps in representation, to shape and inform future decisions and facilitate targeted, measurable action. This information is driven by self-identification and we recognise that requesting personal data requires us to regularly share why it is so important.

In FY24 we launched the 'Count Me In' campaign in the UK to encourage greater awareness and participation in the UK and form a proactive step to building a more diverse and inclusive QinetiQ. Thorough and accurate reporting will help drive KPIs and subsequent progression. While we regularly publish data on gender, we look forward to be able to present more diversity information in future Annual Reports and Accounts.

QinetiQ is committed to fostering diverse leadership and increasing female representation. Not just because its the right thing to do, but because we recognise the value that it brings to the culture of our business, and our ability to innovate.

Our target is to achieve 30% female representation at all levels across the Company, by 2030, and we are also focused on increasing ethnic diversity in leadership roles by 2027. These initiatives are integrated and mutually reinforcing, as progress in one area positively impacts the other.

Through inclusive leadership development, targeted recruitment strategies, mentorship programmes and a supportive work environment, we are cultivating a diverse talent pipeline and fostering an inclusive workplace culture.

Gender balance data

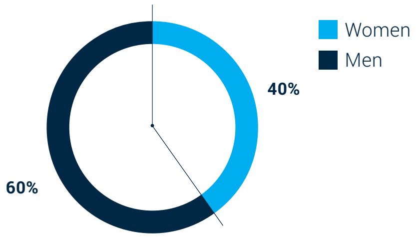
	FY24		FY23		FY22		FY21	
	Female	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**
Board Directors[1]	**4 (44%)**	**5 (56%)**	**3 (33%)**	**6 (67%)**	4 (44%)	5 (56%)	3 (37%)	5 (63%)
Senior managers[2]	**69 (22%)**	**251 (78%)**	**57 (19%)**	**244 (81%)**	59 (20%)	240 (80%)	57 (19%)	239 (81%)
Other employees[3]	**2,114 (26%)**	**6,152 (74%)**	**1,976 (25%)**	**5,989 (75%)**	1,478 (22%)	5,136 (78%)	1,447 (22%)	5,145 (78%)

1 For more information on Board diversity see page 74.

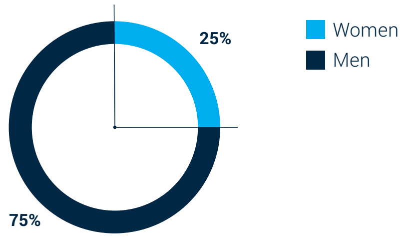
2 Senior managers are defined as employees who have responsibility for planning, directing or controlling the activities of the Group, or a strategically significant part of it. This includes Directors of subsidiary Companies. It includes our QinetiQ Leadership Team (QLT) but excludes our CEO and CFO who are captured under Board Directors.

3 Excluding senior managers and the CEO and the CFO.

QinetiQ Leadership Team



All employees (including leaders)



The table and charts above show our gender balance data and we are pleased to see a further small improvement.

In our latest UK Gender Pay Gap report (for the FY23 reporting period) we report a mean pay gap of 11.8% which is a reduction compared with the previous year (12.9% for the FY22 reporting period).

We also participate annually in the FTSE Women Leaders Review. During FY24 we reported 28.2% female representation in our Executive Committee (the QLT) plus direct reports, compared with 27.8% in FY23.

No one action drives gender diversity and we recognise there is more to do to meet our target; we are focusing on further developing our plan in FY25.

Employee voice

Critical to all of our people is feeling informed and ensuring that the employee voice is heard. Our global operating model and 'Adaptive Working', requires an engagement approach that supports both a geographically and temporally dispersed workforce.

Two-way communication channels, including our Global Portal Intranet, monthly live events through Q-Talk, and virtual communities, encourage our people to share their thoughts, feedback and experience.

We have a global Site Champion network, which focuses on creating a sense of community.

We hold Global Employee Roadshows twice a year, providing an opportunity for our people to hear from the QinetiQ Leadership Team about our growth strategy and important topics from across the global business, and to enable them to ask questions of leaders. Employee views are represented by the Global Employee Voice (GEV), a group of employees who work alongside leaders to help shape ideas and initiatives that make QinetiQ a great place to work. The GEV representatives meet regularly with the Group CEO and Chief People Officer and have also met with the Chair and Board members during the year (see page 89).

In FY24 the GEV gave feedback that contributed to changes including significant investment in our employee reward offering (reward uplifts), changes in working schedules (compressed working), and the introduction of new learning solutions.

Our voluntary attrition has shown a small reduction from 14.1% in FY24, compared with 14.3% in FY23. We continue to observe some hotspots in the US and Australia, in line with the skills landscape.

Employee engagement is one of our three non-financial KPIs (see page 33), reflecting its importance to our business strategy. We have now been using the Workday Peakon as our Group Employee Engagement Survey platform for five years; it enables us to measure and track progress and benchmark against other organisations. Peakon also provides regular insights that enable us to make informed decisions and direct focus where it is most needed. This helps us understand what is important to our people, so that we can take action at a global, business and team level.

In FY24 we achieved our highest employee engagement score to date, reaching 7.5 (out of 10), an increase of 0.1 from FY23. Engagement has increased by 19% over the five years, and participation is now 71%. This is against a difficult backdrop with cost of living challenges for employees across our international footprint, which saw a dip in the Reward element of the survey in the middle of the year. Through our continuous listening approach we were able to quickly identify these concerns, understand how best to address them, whilst balancing our financial performance, and make meaningful pay interventions, which was reflected in an improvement in the reward indicators in Peakon.

Our employee engagement survey helps us understand areas we need to focus on to improve engagement. Effort in FY25 will continue across all elements of engagement with particular focus on employees having the right equipment to perform their roles (as currently we see this is below benchmark). Our Digital Transformation programme and site investment strategy will make a material difference in this area.

Adaptability and flexibility

We continue to place adaptability and flexibility as a key part of our employee offering. Our ability to attract and retain talent at QinetiQ is enhanced by having an adaptable approach to where, how and when our people deliver in their roles. In FY24 we saw more than 1,000 employees take advantage of compressed working patterns, driving benefits for customers, internal service levels and for the employees themselves.

In FY25 we will focus on our Digital Transformation of internal tools, so that global collaboration, cross-team and project working and the productivity of employees working a hybrid home/office pattern all benefit.

Learning and development: skills and talent

We are committed to nurturing talent and fostering a culture of progression within QinetiQ where our people can thrive and develop the right skills to grow and deliver. Similarly, as a company we see upskilling and reskilling as core to our AUKUS ambition, working across Australia, UK and US to build the capabilities for the future in support of our mission.

An example of this is the successful Test and Evaluation, Sovereign Skills Program (TESS-P) which upskills engineers in Australia with UK domain expertise because those skills are scarce but required. We are proud of this programme because it spans our international boundaries and is delivered both digitally and face to face through real exposure to live projects. Learners and instructors alike get a huge amount from each other as do wider parts of our organisation who benefit from the out-turn of digital courses.

Another area of success across the year has been the creation and early delivery of Project Management Improvement. This focuses on project delivery and seeks to unify our approach to projects with tools for understanding competence, improvement and learning aspects so that we can all execute, consistently and to a high quality, across our global portfolio. This will continue into FY25.

Through employee feedback, we know that having opportunities to develop and grow careers is vitally important. We have partnered globally with LinkedIn Learning delivering digital content to all parts of the Company with over 80,000 courses and videos accessed in the past nine months alone (June to February 24). This enables our people to access learning flexibly, at pace, in the flow of work.

Combining this technology with in-house content also allows us to build skills at scale by developing bespoke learning paths and helping us plan for the future.

Building on our success this year a key priority for us in FY25 will be to further enhance learning capability globally. We will do this through adopting new tools and process and partnering across all business leaders to enable in-year performance with various personal and collective development and mentoring interventions.

Leadership

We operate in a highly competitive and challenging market with an ambition to continue significant, sustainable growth. We recognise that to realise this, it is critical for us to develop the right leadership skills and capabilities, investing in our leaders to continually improve. Leaders are encouraged to take a coaching approach to their work with others and may have self-elected to become reverse mentees, themselves learning from Early Careers colleagues. The feedback on this programme continues to be very positive.

Social
continued

To further support leaders we completed a Group-wide Organisation Network Analysis providing a quantitative baseline from which to measure future progress. This has given valuable insight to design leadership expectations for performance, culture and global collaboration.

This was launched recently and already well received within the leadership community. The data is also being used to inform Group-wide leadership development initiatives for FY25 with the help of a recently established global QLC design community.

Spanning sector and functional stakeholders in design sprints, this shapes our leadership development approach and through cascading behaviours and positive attributes, helps set a tone for others to follow.

UK Early Careers community	FY24	FY23	FY22	FY21
Apprentices	139	85	53	72
Graduate programme	105	128	105	98
Sponsored students[1]	16	26	24	24
% UK workforce	5	4	3	4

1 Includes eight-week paid work experience and Year in Industry placements.

Commitment to The 5% Club
As a patron and a founding member of The 5% Club, we remain committed to achieving 5% of our workforce being within our Early Careers population. We commit to publishing a breakdown of our UK Early Careers community each year (see table above) including the percentage they comprise of the UK workforce and we are pleased with the progress we have made towards our goal.

Early Careers
Investing in the next generation ensures we are developing the skills and capabilities needed for the future, as well as creating a near-term talent pipeline.

Our Early Careers approach provides a rich and rewarding learning experience for individuals as they start their career with us. In the UK we focus on graduates and apprentices, as well as Year in Industry students and summer placements.

We continue to focus on ensuring our Early Careers community is involved in meaningful work, with opportunity to develop their business knowledge, personal skills and understand how their work contributes to meeting our customers' requirements.

We have seen an increase in the number of apprentices being recruited with very encouraging feedback from all stakeholders, including customers, managers and the apprentices themselves. In addition, more graduates are being recruited and we have a stable level of Year in Industry students working with us during their degree programmes.

It should be noted that these numbers do not include re-skilling; we have 39 experienced employees using apprenticeships to reskill across a range of disciplines.

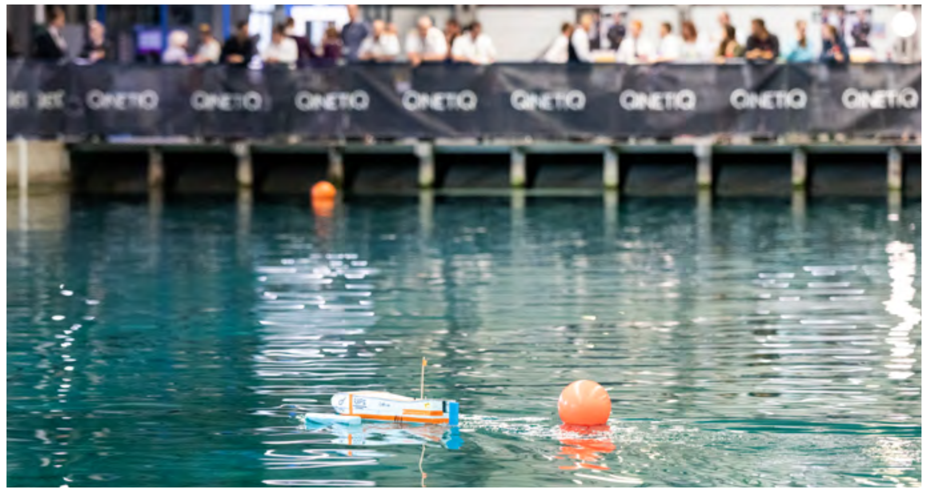
Reward and recognition
Reward and recognition is key to our people strategy and an important part of our global employee offering. Our approach is designed to enhance the wellbeing of our people and incentivise both collective performance and individual contribution; enabling us to make choices about what works best for ourselves and for our families. Focus in FY24 includes:

- Through our Rewarding for Performance framework, our people have been able to collectively share in our success:
- Our All Employee Incentive Scheme (AEIS) for contribution in FY24 paid £1,138 to each employee.
- We continue to invest in Pay and Progression, addressing market anomalies and managing in-year role and grade progression, with an investment of over £1.5m.
- Through Thank Q, our global recognition scheme, we celebrated 5,451 individual people and 1,688 teams, with 12,705 awards.

MEMBER OF The 5% Club APPRENTICES AND GRADUATES INVESTING IN A GENERATION

//We are proud to be founding members of The 5% Club.//

Chris Shirley, Head of UK Skills and Development



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. 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.

In March 2024 we were delighted to achieve accreditation by the Real Living Wage Foundation in the UK and are now one of over 14,000 Living Wage employers.

Our Group Hardship Fund and Employee Assistance Programmes (EAP) continue to provide additional support to our people who are experiencing challenging personal circumstances.

Looking forward to FY25, the Company will continue to invest in our global reward and benefits strategy and our employee offering.

Responsibility and sustainability: Volunteering
At QinetiQ, volunteering is a vital part of our community impact strategy enabling our skilled workforce to dedicate their time and expertise to deliver social, environmental and economic benefits within the communities where we work. We focus on skills based volunteering, on STEM (Science, Technology, Engineering and Maths) outreach, to inspire the next generation of scientists and engineers and also environmental volunteering to contribute towards conservation and biodiversity.

In FY24 we supported a variety of projects, including scrub clearing on a SSSI (Site of Special Scientific Interest), our annual outreach event for International Women in Engineering Day, our Powerboat Challenge, where young people design build and race model boats, and a hands-on hydraulic experience at our QTEC facility in Melbourne. Through our global employee volunteering programme we've contributed over 2,600 hours of service.

We value the expertise of partnerships with organisations such as the Jon Egging Trust (JET), where we've continued to roll out our interactive apprentice workshop. We also started a new UK partnership with the Royal Air Forces Association (RAFA), which has enabled QinetiQ employees the opportunity to volunteer in RAFA's community check-in calls campaign.

During FY24 we launched our new external STEM Discoveries section of our website. This highlights the activities delivered by our STEM volunteers throughout the year; additionally it hosts valuable resources, including our new CREST-accredited project on compostable plastic, which students and teachers can freely download.

In FY25 we will be focusing on increasing our impact, including growing our volunteering include a new focus in our US business called "Impact Day".

Charities
Across QinetiQ we remain committed to creating a positive impact in the communities local to our sites. We proudly support a diverse range of charitable organisations and community causes, with a focus on areas such as health, veterans and local rescue services.

We supported 23 individual site charities nominated by our people. Our Corporate partner charities include two in the UK - JET and RAFA. In the US, we support the Joint Service Special Operations Fund (JSSOF). In Australia we've continued to partner with Legacy, and in Canada, we've supported Ottawa Food Bank and Root Cellar. Please see our website for more information: www.qinetiq.com/en/our-company/sustainability/community-investment

In FY25 we intend to continue to develop our partnerships with organisations that support us in creating a positive impact in our communities.

Our defence partnerships
We have always been passionate about supporting our Armed Forces community. Including veterans and reservists within our Company greatly enhances how we connect with our customers. This relationship goes beyond our legal obligations whether in Australia, UK, or US. In 2016 we were awarded Gold Award status by the UK Ministry of Defence (MOD) in their Defence Employer Recognition Scheme. This recognises employers who demonstrate a commitment to Defence by proactively supporting the Armed Forces community and inspiring others to do the same. Through our advocacy approach we were revalidated in 2022 and were delighted to receive our Gold Award from Major General Swift in March 2023.

We signed the UK Armed Forces Covenant in 2013 and continue to create covenant-related initiatives, such as our global QinetiQ Veterans and Reserves Network, which helps to connect, support and value colleagues who serve or have served in their nations' Armed Forces. A new covenant with enhanced support of forces and reservists' spouses and families was published in 2023.

In the US, we have an Outreach programme for Veterans through Circa and Military Offices Association of America and we participate in military hiring events through Recruit Military and Corporate Grey. We contribute to the Virginia Veteran Values Program and have been active participants in 'Hiring our Heroes' events.

In Australia we are pledge partners with Soldier On and attend their network events which has resulted in attracting talent into the business as well as encouraging others to do likewise. We are also a signatory to the Prime Minister's Veteran Employment programme.

Governance

Governance is a critical pillar, supporting us in how we deliver all we do, responsibly and sustainably.

Governance and leadership of our responsible and sustainable business approach

Our approach to sustainability is sponsored by our Group CFO and actively supported by our Board. Our Group Director of ESG leads our strategy and programmes, working with leaders and subject matter experts across the business, and provides regular papers and briefings to the Board and Board Committees. These cover all material aspects of our sustainability programmes including sustainability strategy, climate change, stakeholder engagement and non-financial reporting, ethics and community impact (page 87). Programmes such as anti-bribery and corruption, confidential reporting, safety or diversity, equity and inclusion are updated to the Board via direct papers from the function leaders. This provides oversight of our approach, including progress against programmes and plans.

During FY24 governance and oversight was also conducted via our monthly ESG Steering Committee, chaired by our Group CEO. Our Functional Councils provide additional focus on environment, our people and safety and wellbeing, as well as risk and assurance and governance. Pages 68 and 69 detail our policy and assurance approach.

Our sustainability strategy forms an integral part of our ISBP and includes longer-term plans e.g. our Net-Zero plan with targets to 2030 and 2050. Each function and sector is also required to articulate their contribution to sustainability within the ISBP process and we continue to embed ESG factors into our strategy and our day-to-day business processes. ESG is linked to the non-financial element of our leadership incentive scheme.

In FY25 we will be focusing on the new regulatory reporting requirements, supported by how we improve reliability and predictability of data and assurance of our non-financial information.

Business ethics, doing business the right way

Our values of integrity, collaboration and performance underpin all that we do (page 76).

Our Code of Conduct defines our ethical standards, providing clear direction and guidance on how we do business. It contains information on ethical decision-making and also how to seek help and advice. We review the Code annually to reflect the evolving needs of our business, the regulatory environment and best practice. The Code is for our people but we also make it available for customers, suppliers and other partners. Our Code of Conduct is available on our website.
www.qinetiq.com/en/our-company/sustainability/business-ethics

Annual business ethics training is mandatory and supports our people in understanding and using the Code of Conduct. The training is undertaken by our Board and is available to 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.

Speak up

We strive to create an environment where our people feel confident to speak up and we provide a number of different ways for them to seek help or to raise concerns. Employees can talk to a manager, use our ethics email advice services, our global network of Ethics Champions and our independently run, 24/7, confidential reporting line.

These are also available to third parties via our Code of Conduct and Supplier Code of Conduct (page 55), both published on our website. Throughout the year we have promoted the importance of speaking up and the various different contact routes, via awareness campaigns, in the Code of Conduct and in our mandatory business ethics training. We promoted our Speak Up Guide for Managers, supporting them in creating an open and inclusive environment, where our people feel confident to raise concerns, and managers know how to listen to and support anyone who may come to them with an issue.

For third parties, we have promoted our Speak Up contacts via our website and in our supplier Code of Conduct. We have responded to all queries received via our ethics email advice services and confidential reporting line. Our Audit Committee oversees our approach to confidential reporting (see page 90).

Our Business Ethics Committee, chaired by our Chief Ethics Officer (Group Director Legal & Company Secretary), oversees our ethics programme. We are members of our trade association, ADS, Business Ethics Network where members can share best practice on ethics, human rights and anti-bribery.

Our focus in FY25 will be to continue to promote and raise awareness on Speak Up.

Anti-bribery and corruption

Our zero-tolerance approach to bribery and corruption in any form is explicitly stated in our Code of Conduct and our global anti-bribery and corruption procedures require that all business activity is conducted without the intent to bribe or corrupt; is reasonable and transparent; is appropriately documented with a business rationale and is authorised at an appropriate level.

Our anti-bribery and corruption programme is designed to support our people and business partners to demonstrate the highest standards of ethical conduct within all the jurisdictions in which we operate.

We provide practical guidance, including regular training, to ensure that our people understand what is expected of them and where they can get support or raise concerns.

Risk-based due diligence procedures are in place to identify and assess exposure to bribery and corruption in our operations; these are subject to on-going monitoring and periodic review. We review our programme regularly to ensure that it remains effective and incorporates improvements identified through internal assurance activity and feedback from our people.

In FY25 we will be focusing on supporting our people through training with a review of targeted role specific training modules.

Human rights and modern slavery

As part of our ongoing programme to address the risk of modern slavery, we operate and manage an action plan across the Group. We continue to provide in-depth training to those in key roles (we have moved from e-learning to live training), and develop new supporting resources for all employees and suppliers, including industry engagement events such as our Collaborate programme. We regularly review our policies and our approach to risk in the supply chain. Our updated supplier Code of Conduct helps to ensure that our suppliers have clarity of their responsibilities on human rights, modern slavery and speaking up. Our annual modern slavery and human trafficking statement is published on our website homepage. We achieved 82% against the UK Government Modern Slavery Assessment Tool.

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, our ethical trading policy, international business risk management process, grievance mechanisms, due diligence and export controls process. Our confidential reporting mechanism (page 54) provides routes for third parties to raise concerns. We monitor the application of these policies and procedures through our business and supplier assurance processes and regular self-assessment, with oversight by our Business Ethics Committee. We believe that this integrated approach is effective in ensuring our business acts responsibly and respects all human rights. More information, including all our annual modern slavery statements, can be found on our website:
www.qinetiq.com/en/ our-company/sustainability/business-ethics.

In FY25 we will continue to make progress against our modern slavery action plan and we will be reviewing and updating our policies and processes to support our approach to ethical trading and human rights.

Responsible tax management

We make a significant tax contribution to the economies of the countries where we operate. In alignment with our sustainability and tax strategies, we strive to be responsible in all our business dealings with zero tolerance of tax evasion. Our annual tax strategy statement is published on our website. We apply our approach to tax management in a consistent and transparent manner in our dealings with tax authorities around the world. As a UK-headquartered Group we file our country-by-country report with the UK tax authorities. Our policies, processes and controls are regularly reviewed and risk assessed. Recognising the importance of embedding the tax strategy as a Group-wide culture, we provide relevant tax insights through our quarterly internal newsletter and bespoke tax training. Our Audit Committee oversees our approach to tax.

Working with our supply chain

Our supply chain is an extension of our Company. We ensure that our suppliers are committed to the same standards and values of safety, security, sustainability and governance as we are. Working in collaboration with wider industry, we foster and develop ecosystems which draw together suppliers, academia and third-sector communities to answer complex challenges in science, social, engineering and technology, to support our customer offering.

Through this approach we enable access to opportunities for diverse suppliers, including Small to Medium Sized Enterprises (SMEs) and non-traditional defence suppliers, removing barriers to entry and promoting inclusive procurement. We continue to support the SME community through the Defence Suppliers Forum SME Working Group and being an active prime contractor at the Defence Procurement Research and Technology Exportability (DPRTE) trade show. This has included enhancing our Small-Medium Enterprise Hub webpages to make it easier for suppliers to engage with QinetiQ and register their interest with us, by routing their enquiries directly to the relevant supply chain category management team through our taxonomy linked registration form.

Our QinetiQ Collaborate series aims to ensure good practices are shared throughout our supply chain and wider external stakeholders. We provide a consistent platform for learning through panels of subject matter experts from across the defence and security industry. In FY24 we ran Collaborate events on modern slavery and SME's and Net-Zero. We also continue our work with the Aerospace and Defence Procurement Group (ADPG) and the Joint Supply Chain Accreditation Register (JOSCAR), an industry collaboration.

We have our Sustainable Procurement Guide and Supplier Code of Conduct; both documents are available on our website:
www.qinetiq.com/en/our-company/suppliers-and-smes

As signatories to the UK Prompt Payment Code, we continue to report our payment performance as required by UK legislation. In FY24 we gained accreditation from the UK Real Living Wage Foundation, guaranteeing an above-statutory level of pay for third-party subcontractors working on our UK sites. We are currently working towards Real Living Wage accreditation with QinetiQ Canada.

In FY25 we will continue to develop our approach to sustainable procurement and run further Collaborate events. In support of our Net-Zero programme, we have developed new supplier terms and conditions related to GHG emissions, and will be engaging with suppliers in FY25.

Risk management

Risk management in QinetiQ is an established process that is critical to the achievement of the Company's strategic goals. The Group has effective systems and controls in place to manage current and emerging risks within the established risk appetite levels.

In an ever-changing risk landscape, our end-to-end review and improvement cycle aims to ensure we are well positioned to deliver results, while understanding and addressing the risks that could impact the ability to execute our strategy.

How we protect our business

On behalf of the Board, the Risk & Security Committee provides oversight of the Company's principal risks, reviewing and monitoring them through the course of the year. Each principal risk is assigned to a specific category (strategic, operational or financial), which helps establish appropriate risk control strategies and activities and provides an appropriate level of oversight and assurance.

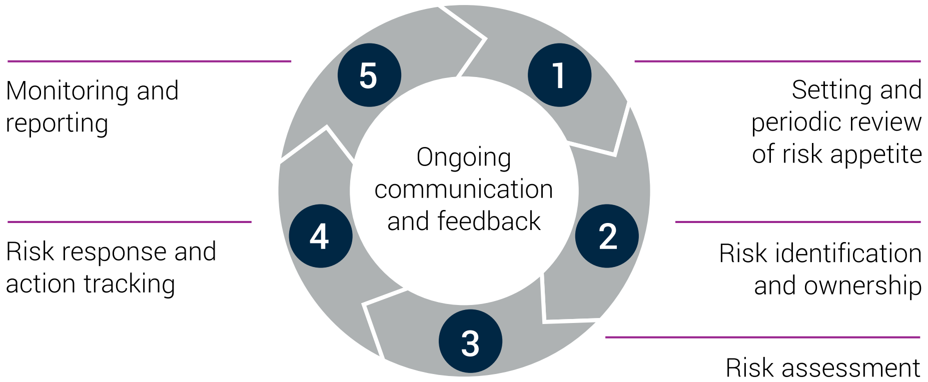
Risk owners are accountable for confirming adequate controls are in place, and that the necessary mitigation plans are used to bring the risk within an acceptable tolerance level.

Identifying and managing our risks
As part of our continual review and improvement of our risk maturity, we have embedded a cyclical process of identifying, evaluating, managing and reporting of current and emerging risks. This process ensures we keep pace with a growing business in a complex industry and that we manage our risks in line with our long-term priorities.

Our annual cycle consists of comprehensive identification and review of risks material to the Group which we conduct together with our Sectors and Functions, taking into account industry insights, competitor analyses, geopolitical developments and advancements in technology.

We align our assurance activity to the identified risks in the context of our business processes and how those risks may affect our strategic goals and day-to-day operations. This is presented to the Board and Risk and Security Committee, ensuring adequate monitoring to maintain the effectiveness of the Group's risk management activities and internal control processes.

Sectors conduct bi-annual detailed reviews of their risks which is reported to the Board and Risk and Security Committee. This process ensures bottom-up and top-down views of risk have been considered and that the actions and controls to mitigate these risks are in place and are appropriate.



Risk management and assurance activity

The Three Lines Model
Our risk management and assurance activity follows the Institute of Internal Auditors' Three Lines Model which is the industry standard. The first line reports to the QinetiQ Leadership Team, second line through the Chief Risk Officer to the QinetiQ Leadership Team and the Risk and Security Committee, and the independent third line that sits outside the risk management processes and reports to both the QinetiQ Leadership Team and to the Audit Committee. The first line is performed by operational management who are responsible for managing risks. The second line is performed by teams that provide expertise, framework design and oversight role but sit outside of day-to-day management of the risks. The third line is performed by internal or external teams such as Internal Audit that provide independent objective assurance.

Board

Responsible for effective risk management and internal control across the QinetiQ Group, sets risk appetite and assesses principal and emerging risks

Audit Committee and Risk & Security Committee

Receive reports from the assurance functions

Monitor and review the principal and emerging risks

Undertake risk deep dives

Monitor the effectiveness of internal controls

QinetiQ Leadership Team

Identify and monitor the principal and emerging risks, as well as material risks (including operational) reported from the operating Sectors

Management

First Line
- Identify and evaluate risks
- Design and operate internal controls and other mitigation measures
- Apply risk appetite, delegated authorities, policies, procedures and codes of practice
- Report risks through relevant reporting and escalation processes
- Manage the day-to-day operational risks
- Report to the Board and the QinetiQ Leadership Team

Second Line
- Perform oversight of risk management and other oversight functions with independence
- Design and facilitate the risk management processes across the Group
- Provide risk expertise and support
- Responsible for continually improving the risk management process across the Group
- Report to the Board and the QinetiQ Leadership Team

Independent Assurance

Third Line
- Internal Audit and other external independent assurance providers
- Review and evaluate risk management activity and provide assurance over the effectiveness of the control environment
- Manage the confidential reporting process
- Report to the Board and the QinetiQ Leadership Team

Principal risks

The Group Principal Risk Register consists of material risks that could affect the delivery of our strategic objectives and may have a material impact on our stakeholders and environment. We accept that risk is an inherent part of doing business and our Principal Risk Register aims to provide reasonable assurance that we understand, monitor and manage the effects of the main uncertainties that we face in delivering our objectives.

Each principal risk is assessed in relation to the impact to the Group and is overseen directly by the Board. The Board confirms that a robust assessment of the principal risks facing the Group has been carried out, including those that would threaten its business model, future performance, solvency or liquidity.

The summary of risks and associated handling actions taken by management including the controls and any additional mitigations are provided below.

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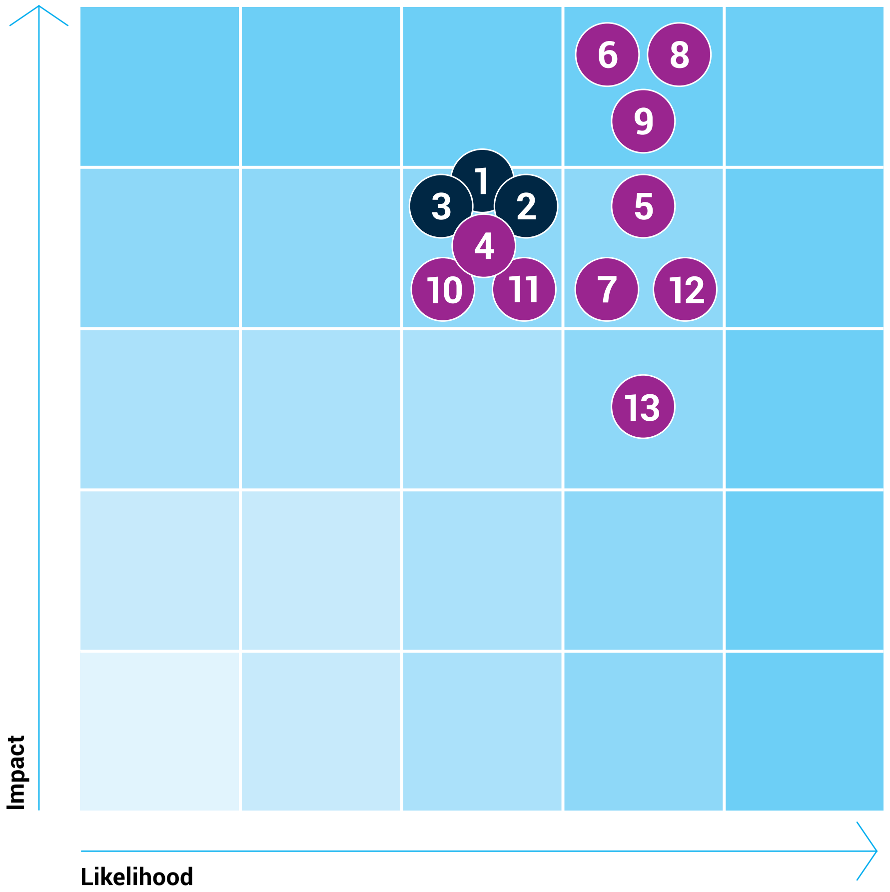

Principal risks F24

Category		Risk Owner*	Executive Owner	Link to Strategy: Global Leverage	Link to Strategy: Distinctive Offerings	Link to Strategy: Disruptive Innovation
Strategic						
1	Competitive Landscape	GH Business Development	CGO	●	●	●
2	Disruptive Technologies	GD S&T Engagement & Enablement	CTO	●	●	●
3	Acquisition Integration	GD Mergers & Acquisitions	CSO	●	●	
Operational						
4	Climate Change	GD ESG	CFO	●	●	●
5	Organisational Culture	GD Employee Experience	CPO	●		●
6	Cyber Security	CIO	CESO	●	●	
7	Management of Change	GD Transformation	CESO	●		●
8	Health, Safety & Welbeing	GD Safety Excellence	CTO	●	●	●
9	Information Security	CIO	CESO	●	●	
10	IT Infrastructure	CIO	CESO	●	●	
11	Licence to Operate	GD Legal & CRO	CFO	●	●	
12	P3M Capability	GD Programme Excellence	CTO	●	●	●
13	Strategic Capability Planning	GD Skills & Capability	CPO	●	●	●

* GD – Group Director
GH – Group Head

Key changes to our Principal Risks

In Q3 FY 2024, we conducted a series of workshops with function and sector leaders to review and discuss the company's risks. The results were shared with the QinetiQ Leadership Team, who agreed the principal risks and a number of key (watchlist) risks. The Risk & Security Committee subsequently reviewed and approved the risks.

- The **Digital & Data Programme** and **Large Contract Renewal** principal risks were retired due to mitigation activities that lowered their risk scores to an acceptable level.
- The **Macroeconomic Uncertainty**, **People Security** and **Physical Security** principal risks were moved to key risks (see section below).
- The **Health and Safety** principal risk was refined to include **Wellbeing** as a component.
- Recognising the dynamic landscape, **Competitive Landscape** and **Disruptive Technologies** were added as principal risks.
- With a number of key transformation projects underway, **Management of Change** was added as a principal risk.
- **IT Infrastructure** was added as a principal risk recognising the importance of the implementation of GII/DW and supportability of some of our business services.
- **License to Operate** was added as a principal risk acting as umbrella for legal, compliance and regulatory related risks.

Key (Watchlist) Risks

List of Key risks which sit outside of our principal risks, yet considered important to the Group, have been added. In addition to Macroeconomic Uncertainty, People Security and Physical Security, they include **Business Tools** and **Tension Related to Targets**.

Strengthening our Framework

We continue to enhance and embed our risk management framework to promote consistency across all our sectors.

Over the course of the year, we have:

- Completed a full risk review in conjunction with functions and sectors finalising the outcome with the Leadership Team and the Board enabling us to "ready, set, go" our risk strategy for the forthcoming year
- Achieved risk reduction in three major risk areas enabling us to decrease our overall risk exposure
- Successfully completed and achieved recertification in our major ISO certifications
- Established and continue to embed the Three Lines Model. The three lines: Sectors, the Chief Risk Officer and the Risk Team, other functional assurance and the Internal Audit continue to work together contributing to creation and protection of value.
- Continued to deliver our Business Management System transformation on-time and on-cost
- Continued to monitor and regularly report the status of our risk position and associated mitigation plans throughout the year, and perform in-depth reviews of our risks which have been presented to the Board and Risk and Security Committee.
- Continued to engage with our operating Sectors to improve our risk culture

Strategic risks

Competitive Landscape

Potential Impact	Mitigation
Loss of market share for QinetiQ associated with the changes in market landscape, business agility, changes in defence spending or competitors or new entrants with highly aggressive risk appetite.	QinetiQ is enhancing its competitive position as an established player in the defence and technology sector through our customer-centric approach to the digital transformation of our offerings. We are augmenting our diverse product portfolio and unique skill, capability and resource mix to align to our customer needs in our home and priority markets. This will mitigate contract risk, optimise project delivery, ensuring efficiency and customer satisfaction throughout capture & project delivery. Company performance will benefit from leveraging improved 'win' strategies which enhance through-life delivery and optimised business operational costs. We have strong collaborative and supporting processes that focus budgets, investment and resources on our strategic priorities. In addition, we are innovating the customer interface that aim to reduce customer costs, streamlines communication and makes it easy to conduct business with QinetiQ.

Disruptive Technologies

Potential Impact	Mitigation
Failure to exploit the emerging disruptive technologies (such as AI) into our operations (e.g. HR or Finance) or customer offerings as quickly or effectively may result in a decreased competitiveness in the market.	Group has established technical capability priorities with the operating sectors delivering insight into future customer and internal needs including plans for embedding and exploiting new technologies. This includes creation of an ethical trading policy in terms of artificial intelligence that carefully considers regulatory and legal frameworks and potential future regulatory needs. We continue to carefully monitor developments in this area.

Acquisition and Integration

Potential Impact	Mitigation
Failure to integrate, deliver the planned business benefits and drive subsequent value from our inorganic acquisitions.	Integrated governance process focused on transactions and progress monitoring through Merger & Acquisition and Integration Committee is in place for 3 years post completion. This is supported by relevant Integration Steering Groups for each newly acquired company. Enhanced due diligence process and associated policies including ESG, and external advisory support, are all in place to enable early warning, monitoring and action where and when necessary.

Operational risks

Climate Change

Potential Impact	Mitigation
Failure to meet our published targets, stakeholder expectations and resilience needs for climate change and Net-Zero, resulting in operational disruption, loss of new business, reduced investor confidence and compromised reputation.	We have developed a Net-Zero plan and are committed to science based targets to drive our emissions to Net-Zero by 2050 or sooner. We have in place initiatives across the Group to ensure that we are embedding our Net-Zero transition plan. These are: investment in energy efficiency projects, development of programmes to deliver reductions in Scope 3 emissions, internal and industry-wide enabling activities (e.g. engagement, remuneration incentives) and working with our customers to develop sustainable solutions and protecting biodiversity. We are regularly reviewing the risk of climate change to our business and are embedding climate change into business as usual, including governance, strategy, risk management and metrics. We continue to improve this approach. See ESG section on page 34.

Organisational Culture

Potential Impact	Mitigation
Failure to define and build a single organisational culture and leadership behaviour set to achieve our strategic goals and ambition.	Implementation of our QinetiQ Operating Model meant we were able to invest in developing our culture and focus on embedding our approach to inclusion, diversity, and people management as well as align rewards, pay and progression and other tools and processes that enable performance and help us to continuously improve our ways of working. Examples include quarterly Peakon reviews and actions, and completion of Organisational Network Analysis which inform our priorities in building and embedding a single organisational culture.

Cyber Security

Potential Impact	Mitigation
A successful cyber-attack which is able to exfiltrate data, deny the use of data, degrade or deny capabilities.	The implementation of a Group Cyber Security Programme and targeted cyber security training for key IT staff, including mandatory training for all staff and contractors. We have a robust programme of deployment and continual upgrade of our cyber security detection and protective capabilities and technologies. This includes a routine exercising and technical assessment of our networks, enhanced requirements for IT architecture and security.

Management of Change

Potential Impact	Mitigation
Failure to effectively embed, and realise the benefits of, operational change may impede our competitiveness and ability to realise market opportunities.	We are establishing an Enterprise Change Management capability to create a coherent approach to business change management and drive focus on successfully embedding change and realisation of benefits. This will be supported by integrated change management plans for each operating sector.

Health, Safety & Welbeing

Potential Impact	Mitigation
Serious physical or mental health injury, fatality of employee(s), third party personnel, or member(s) of the public; loss of assets or significant regulatory enforcement action.	A global Safety Improvement Programme is in place enabling measurable improvements in the safety culture maturity including more effective global safety processes to achieve overall risk reduction, aligned and integrated three lines of safety assurance approach, enhanced competence and upskilling employees to become better safety leaders and role models and inclusion of technology as an enabler for safety. We have established local emergency preparedness and in-country safety teams and are focusing on improving the engagement and training across the Group.

Information Security

Potential Impact	Mitigation
Compromise of QinetiQ, or customer, confidential, proprietary or sensitive information. Includes Intellectual Property (IP), ITAR and Personally Identifiable Information(PII); digital, verbal and hard-copy.	Information is protected through policy, procedural, physical and digital security controls, supported by ongoing assurance activities, ongoing awareness campaigns and the annual mandatory security training. We are further investing in tooling to improve tracking of trends to inform improvement in our security measures.

IT Infrastructure

Potential Impact	Mitigation
Unplanned instability in Sector IT services could affect broader Company business operations e.g. ability to support revenue generating services.	Implementation of Global Interoperable Infrastructure and Digital Workspace which enhances our collaboration and enables us to leverage our skills globally is well underway and includes replacement of some of the poorly-performing systems and introduction of new, more powerful tools. We have a robust programme of deployment and continual upgrade of our cyber security detection and protective capabilities and technologies. This includes a routine exercising and technical assessment of our networks, enhanced requirements for IT architecture and security.

Operational risks continued

Licence to Operate

Potential Impact	Mitigation
Non-compliance with relevant laws, regulations or non-conformance with business certifications may impact on the Group's reputation, operations, impact to share price, potential penalties or suspension or debarment from government contracting, with the potential to compromise our ability to conduct business, which would then have a further potential impact on our people, physical assets and the environment.	QinetiQ has a mature enterprise risk management in place, with a focus on maintaining and strengthening safety and regulatory compliance across the Group. The QinetiQ Operating Model defines responsibility throughout the organisation, led by the QinetiQ Code of Conduct that helps drive attitudes and behaviours. There are proportionate compliance policies and procedures in place, supported by mandatory training programmes applicable to all employees. QinetiQ has adopted the Three Lines Model, structuring a compliance and assurance framework that enables a risk-focused approach to compliance, alongside an assurance programme that includes reporting regularly to the Board and senior management. Continuous improvement is driven using a range of approaches such as audit and evaluation, focused training and strategic improvement programmes. The effectiveness of our internal control environment continues to be assessed at both senior management and Board level, helping identify any potential gaps in assurance over key risks.

P3M Capability

Potential Impact	Mitigation
Varying levels of competence, experience, capacity, capability, culture and behaviours in Project, Programme and Portfolio Management (P3M) community lead to poor delivery performance and increased likelihood of major programme failure.	We have updated and rolled out the Global P3M Competency Framework and the P3M Delegations process, ensuring Project Managers' skills and experience are matched to the project complexity. The P3M framework has been improved and provides a scalable and consistent approach to delivering outputs on time, cost and quality. We have launched Performance Excellence Global Training which in conjunction with Group Performance Excellence (GPE) outputs, Global Competency Framework and the P3M Delegations process form part of our business-as-usual controls.

Strategic Capability Planning

Potential Impact	Mitigation
Failure to implement a successful 2-5 year view of skills supply and development, and subsequent failure to create the right people capacity and competence for our future ambition.	Having implemented a Joint Strategy and People approach to Strategic Capability Planning which is supported by Talent Management Systems, we are further developing our Early Careers Programme and Diversity and Inclusion (D&I) plans. Employees' career growth is enhanced through the Personal Development Fund. This is further enabled through our Adaptive Working principles which have capitalised on the diverse ways that our people work. We have delivered a significant investment in our award and pay and progression strategy positioning us as a global employer of choice for both early careers and experienced hires. The People function is developing a global engagement activity for harnessing future capability requirements, assimilating better understanding of the skills gaps and identifying strategic solutions to mitigate these. Our operating Sectors are supervising local SWPs via quarterly Programme Steering Boards.

Viability statement

Assessing the prospects of the Group

This viability statement should be read in conjunction with the Group's Growth strategy on pages 8 - 9.

The Group's corporate planning processes involve the following individual processes covering differing time frames:

- An annual Integrated Strategic Business Plan (ISBP) process that looks at the financial outlook for the following five years. This process commences with an assessment of the orders pipeline producing an order intake scenario. A review of the phased delivery profile of that order intake as well as contracted order backlog, and the cost base required to support this enables generation of low-case, base-case and high-case profit forecasts. Capital expenditure and working capital requirements are also collected, reviewed, approved and an operating cash flow produced for the Plan period. This is then overlaid with inorganic growth assumptions as well as detailed tax, interest, funding and other non-operating assumptions to produce a five year net debt/cash forecast including relevant covenant / funding metrics;
- An annual budget process that covers the first year of the five-year planning horizon in detail;
- A rolling monthly 'latest best estimate' process to assess significant changes to the budget for the year in progress.

The corporate planning process is underpinned by assessing scenarios and risks that encompass a wide spectrum of potential outcomes, both favourable and adverse. The sensitivity analysis undertaken by management explores the resilience of the Group to the potential impact of each of the principal risks set out on pages 59 - 61, and a combination of those risks.

The scenarios are designed to be severe but plausible, and take full account of the availability and likely effectiveness of the mitigating actions (as described on pages 59 - 61) that could be taken to avoid or reduce the impact or occurrence of the underlying risks, and that realistically would be open to them in the circumstances. In considering the likely effectiveness of such actions, the conclusions of the Board's regular monitoring and review of risk and internal control systems, as discussed on page 87, is taken into account.

Alongside the annual review of risk scenarios applied to the strategic plan, performance is rigorously monitored to alert the Board and QinetiQ Leadership Team to the potential crystallisation of a key risk.

We consider that this stress-testing based assessment of the Group's prospects is reasonable in the circumstances of the inherent uncertainty involved.

The period over which we confirm longer-term viability

The period over which the Directors consider it possible to form a reasonable expectation as to the Group's longer-term viability is the five-year period to 31 March 2029. This period is deemed appropriate as the Group has significant contract cover out to 2029 driven by long term contracts. The Group's financing arrangements cover the majority of this period, as the term loan has been extended to August 2026, with one year extension option to take it to August 2027, and the revolving credit facility has been extended to April 2027 post year-end. This is also the period covered by our strategic planning process and is subject to stress-testing and scenario planning around potential risks. It has been selected because it presents the Board and readers of the annual report with a reasonable degree of confidence whilst still providing an appropriate longer-term outlook.

The ISBP base case assumes the renewal of the Long Term Partnering Agreement (LTPA). A Principles Agreement was signed with the UK MOD for a five year extension during FY24.

Assessing the viability of the Group

The scenarios applied consider the key risks facing the Group, as summarised in the Risks and Uncertainty section on page 56. These include:

- An environmental risk focusing on a severe flooding event at the Shoeburyness site
- Sensitivities on growth metrics in the plan such as margin achievement and revenue growth as a result of competitive pressures, macroeconomic environments, P3M capability, disruptive technologies and workforce planning
- Sensitivities based on our cash position including increased working capital burden
- Sensitivities linked to the economic environment including revenue reduction and FX risk

The impact of each scenario is assessed in terms of revenue, operating profit, net cash/(debt) and loan covenants (leverage and interest cover ratio). They are considered individually and aggregated through two combined stress-tests, covering financial pressures and poor trading performance.

The Group has significant forecast growth resulting in a return to positive net cash from FY27. The sensitivities assume that the Group continues to have access to Revolving Credit facilities of £275m (renewed in April 2024 at £290m to expire in April 2027) and that the term loan of £336m can be extended by one more year (expiring September 2026). This level of liquidity is deemed sufficient for all of the viability scenarios analysed.

The financial impacts are inherently subjective and highly variable, but have provided an indicative assessment to the Board. None of the risks applied individually, or in aggregate, have a material impact on long term viability (in terms of breaching our available facility headroom or associated covenants). Despite being unlikely, the Directors have considered mitigations that could be put in place to offset the risks. The Group has a number of cost control levers that could immediately be drawn on to control cash outflows.

In addition, it continues to explore its portfolio of assets to ensure they remain relevant to the strategic ambition (through disposal of non-core assets). The revolving debt facility has the option to increase further by an additional £125m, prior to considering the reduction of dividends. All of these options can be drawn on to ensure the Group remains a going concern and does not breach covenants.

Confirmation of longer-term viability

As noted on page 109, the Directors confirm that their assessment of the principal risks facing the Group was robust. Based upon the robust assessment of the principal risks facing the Group and their stress-testing based assessment of the Group's prospects, all of which are described in this statement, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 March 2029.

Scenarios modelled	Links to Principal Risks
Scenario 1 - Major environmental event	
For the purposes of this scenario we have assumed a failure at the exposed area that would result in significant flooding. This flooding would, despite mitigation measures, damage the equipment and infrastructure resulting in significant remediation work to safely restore capability. **Assumptions:** There would be an immediate impact to our ability to deliver. The impact has been modelled through lost backlog, pipeline revenue and reputational damage, together with lost recoveries from staff impacted.	Climate change
Scenario 2 - Profit margin downgrade	
Profit margin is downgraded as a result of competitive pressure, project execution, inability to achieve supply chain and organisational efficiency savings or a regulatory fine. **Assumptions:** A 2% reduction in profit margin, no impact on revenue.	P3M Capability Health, Safety and Wellbeing Competitive Landscape Organisational Culture Information Security

Viability statement continued

Scenarios modelled	Links to Principal Risks
Scenario 3 - Reduction in revenue growth	
Revenue grows at a slower rate through the planning period driven by slow down in orders as a result of customer spending, macroeconomic pressures, a cyber incident or failure to plan the future resource and skillset needed. **Assumptions:** Revenue restricted to 4% organic growth per annum.	Cyber Security Strategic Capability Planning Disruptive Technologies License to Operate
Scenario 4 - Reduced operating cash conversion	
Economic environment causes delays in customer payments, high inventory levels driven by supplier shortages, or IT system failure resulting in inability to raise invoices and receipt of supplier payments. **Assumptions:** Cash conversion restricted to 85%.	Management of Change IT Infrastructure
Scenario 5 - Increased FX rates	
Macro-economic trends, global events and government interventions may cause foreign exchange rates to move in unfavourable directions (mainly an increase in the USD:GBP and AUD:GBP rates) such that the returns of the US and Australia businesses are worth less in GBP terms. **Assumptions:** 10% increase in FX (USD & AUD) rates.	Acquisition and Integration Competitive Landscape

Combined stress tests modelled	Scenarios used
a) Financial pressures - Continued strengthening of GBP against USD and AUD crystallises a translation risk at group level. Customers exposed to FX volatility may struggle to meet milestone payment deadlines. Increasing returns on FX markets drives shareholders to demand better returns on investment. Likelihood moderate given macroeconomic environment.	4 & 5
b) Poor trading performance (profitability). Combination of all profitability related scenarios.	1, 2 & 3

Going Concern Disclosures

The Group's activities, combined with the factors that are likely to affect its future development and performance, are set out on pages 1 - 27. The Group meets its day-to-day working capital requirements through its available cash funds and its bank facilities. The Interim Group Chief Financial Officer's review on pages 28 - 31 sets out details of the financial position of the Group, the cash flows, drawn and committed borrowing facilities (including associated covenants), liquidity, and the Group's policies and processes for managing its capital and financial risks.

This past year has seen continued unrest and growing conflict across many regions of the world. The defence and security context continues to elevate the market needs for our six distinctive offerings. Both our addressable market and our confidence in capitalising on that market opportunity continues to grow. The Group enters the new-year with a healthy balance sheet and leverage position, and strong order backlog and pipeline. After making enquiries, the Directors believe that the Group is well positioned to manage its overall business risks successfully and have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going-concern basis in preparing its financial statements.

The Group is exposed to various risks and uncertainties, the principal ones being summarised in the 'Principal risks' section on pages 56 - 61. In reaching its conclusion on the going concern assessment, the Board also considered the findings of the work performed to support the statement on the long term viability of the Company and the Group. As noted below, this included assessing forecasts of severe but plausible downside scenarios and further downside stress testing related to the Company's principal risks. Crystallisation of such risks, to the extent not fully mitigated, would lead to a negative impact on the Group's financial results but none are deemed sufficiently material to prevent the Group from continuing as a going concern for at least the next 12 months from 23 May 2024.

Creating lasting societal value

How we engage with our key stakeholder groups

Customers
Our customers are at the heart of our purpose and we strive to apply our strengths to their advantage to enable delivery of mission-led innovation. Every QinetiQ customer has a delivery team and we regularly invest time listening and understanding their views and needs via our formal customer research systems, for more information see page 10 and stakeholder engagement at page 32.

People
We are a people business and our people are critical to our success. A key engagement form is our Global Employee Voice Group. To see more about how we engage with our people see page 89.

Shareholders
We engage with our shareholders during the year through physical and virtual roadshows, results presentations and the AGM and we seek to keep an open dialogue with them regarding business, our strategy, and the management team. In the year under review, we also held an Investor Seminar in the US, a General Meeting, for engagement on the £100 million Share Buyback Programme, as well as undertaking a Shareholder Perception Audit, see pages 90 to 91.

Suppliers
We occupy a unique position in defence and actively engage with our suppliers, working collaboratively to ensure we treat them with integrity and take a fair and sustainable approach. We are active Co-Chair of the Defence Suppliers Forum (DSF) and hold strategic relationships across organisations and engage with our supply chain through in a variety of ways, including our QinetiQ Collaborate events and industry working group; see Working with our Supply Chain page 55.

Communities
We strive to have a positive impact on our local communities by engaging in community investment such as our outreach programme, volunteering, supporting local charities and community liaison. We provide services that promote the safety and security of members of society, supported by our Net-Zero plan; see ESG pages 53 & 55.

Regulators
We engage with Regulators to understand changing regulations and ensure we meet their requirements. Our Audit Committee has undertaken a consultation in relation to the new proposed Corporate Governance Code and we have participated in the Parker Review by way of reporting on Board diversity, see pages 74, 87 & 104 or Directors' report pages 130 to 133.

Section 172 Statement

We are committed to our responsibilities to promote the success of the Group. The Board of QinetiQ Group plc confirms that during the year under review, it has acted in the way that it considers, in good faith, would be most likely to promote the Group's success for the benefit of its members as a whole, having due regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006.

QinetiQ Group plc is a public Company limited by shares, registered in England and Wales No. 4586941.

Typically in large and complex companies such as QinetiQ, the Directors partly fulfil their duties through a governance framework that delegates day-to-day decision-making to the employees of the Company. The Board recognises that such delegation needs to be part of a robust governance structure which covers our values, how we engage with our stakeholders, and how the Board assures itself that the governance structure and systems of controls continue to be robust.

The main methods used by the Directors to perform their duties are outlined below.

This statement and the relevant disclosures referenced on this page summarise how the Board has upheld and discharged its duties, consider:

(a) The likely consequences of any decision in the long term.

(b) The interests of the Company's employees.

(c) The desirability of the Company maintaining a reputation for high standards of business conduct.

(d) The need to act fairly between members of the Company.

(e) The need to foster the Company's business relationships with suppliers, customers and others.

(f) The impact of the Company's operations on the community and the environment.

See page 67 for relevant disclosures.

Creating lasting societal value continued

Our stakeholders and approach to engagement

To deliver responsibly and for the benefit of all stakeholders, we must understand what matters to them. To do this we engage in a variety of ways in an open and transparent manner, with the aim of identifying common goals.

In some cases the Board will engage directly with certain stakeholders, however, the relevant delivery teams will also manage this engagement if they are better-placed to facilitate meaningful engagement.

We consider the stakeholder and relevant issues to ensure that engagement is led by those best-placed to affect any necessary change.

We expect that our approach and how we engage with our stakeholders will continue to evolve as we pursue further growth and geographic expansion, for the benefit of all of our stakeholders.

Board activity and principal decisions in FY24
The principal decisions taken by the Board in FY24 are detailed on pages 85 to 86. These decisions cover a variety of topics, including capital allocation, succession planning and the Company's 10-year outlook. Due to the nature of these decisions, a variety of stakeholders are considered as part of the Board's discussions.

Primary stakeholders   Other stakeholders

Impact of stakeholder engagement and how we create value

Customers
The formal feedback we receive from our customers allows us to respond and adapt our approach when achieving their objectives. It is reviewed at all levels of our organisation to ensure we continuously improve and evolve our business processes and delivery solutions. It enables us to deliver mission-critical solutions and help customers address their most pressing challenges. They benefit from a responsive and agile approach and the ability to innovate at pace while delivering value for money.

People
We have been able to identify priority focus areas to improve the employee experience by listening to our people through our Peakon surveys and directing our efforts to enhance areas highlighted by direct feedback. Including; ways of working, safety, digital improvements and concerns about the cost of living. See Page 89 for more information on Peakon.

Our peoples work makes a genuine difference to our customers, and we are committed to providing an employee experience which fosters rewarding careers in highly skilled areas, giving our people the opportunity to satisfy their intellectual curiosities.

Shareholders
Shareholder feedback and comments helps shape our strategic thinking and decision-making and their ongoing support enables us to invest in our business and execute our growth strategy for the benefit of all stakeholders. In return we aim to deliver long-term sustainable growth and attractive returns, and have sought to keep both our investors and the financial markets up-to-date with our progress and strategic decisions throughout the year.

Suppliers
We aim to bring down barriers for suppliers in defence and emerging sectors. Engagement with our supply chain gives us insight into industry partnering to effectively support our customers.

Communities
We aim to benefit the wider socio-economic wellbeing of communities and our community investment is viewed positively where we operate. Regular community liaison updates ensure local people are aware of our outreach activity. This has created aspirations and provided signposting to rewarding careers for young people, particularly in STEM.

Regulators
We take an active role in the defence industry through various forums and industry networks. Our engagement supports us meeting the high standards expected by our regulators.

Section 172 relevant disclosures

Considering long-term consequences

s172 link (a)
The Board holds annual strategy meetings which assess the long-term sustainable success of the Group and our impact on our investors, customers, people, and local communities over a 10-year outlook. Our Group Chair and Company Secretary working with the Executive Directors, set a rolling agenda for each Board meeting, including a two-day strategy review to consider the Company's overall purpose and strategy. This is supported by a budget for the following year and both medium and long-term (five and 10-year) financial planning informed by strategic assessments, such as SWOT analysis. These arrangements are supported by external political, institutional, customer and academic inputs. There are also risk management procedures that identify the potential consequences of decisions in the short, medium and long term, so that mitigation plans can be put in place to prevent, reduce or eliminate risks to our business and wider stakeholders (see pages 57 to 61).

Relevant S172(a) disclosures
Pages 76 to 77 Company purpose
Pages 10 to 11 Business model
Pages 6 to 7 Strategy
Pages 30 to 31 Dividend and Capital Allocation policy
Pages 62 to 64 Viability statement
Page 54 Governance and leadership of our responsible and sustainable business approach
Page 109 Frameworks for risk management and internal control
Pages 40 to 42 Net-Zero pathways initiatives

Fostering stakeholder relationships

s172 links (b, c)
To encourage mutually beneficial stakeholder relationships, specific training is provided for Directors and senior managers and we ensure external assurance, through audits, stakeholder surveys and reports from brokers and other advisers, and stakeholder engagement. The Board receives regular presentations and reports on customer engagement, risk, health and safety, confidential reporting, defence process review, dividend policy, people and culture strategy, and operational business updates. The Company listened to direct feedback from UK employees this year in relation to reward and responded by committing to the implementation of a 'fair baseline for all' which enabled the Company to uplift UK employee rewards in line with its Rewarding for Performance approach. The Company also took feedback from its shareholders through direct Board engagement and a shareholder perception audit, which helped inform deployment of its capital allocation policy.

Relevant S172(b,c) disclosures
Pages 46 to 51 Our people
Page 48 Safety and wellbeing
Page 89 Employee engagement
Pages 51 to 52 Learning and Development: skills and talent
Pages 52 to 53 Reward and recognition
Pages 68 to 69 Non-financial information statement
Page 91 Board engagement
Pages 49 to 50 Diversity, equity and inclusion
Page 35 ESG framework
Pages 76 to 77 Purpose and culture
Page 90 Shareholder engagement

Protecting communities and environment

s172 link (d)
The Group is committed to corporate responsibility oversight including business ethics, anti-bribery and corruption, human rights, modern slavery, environmental stewardship and use of resources, sustainable solutions, greenhouse gas emissions and energy management, investing in our local communities and the armed forces. Any major decisions taken by the Board includes formal consideration to these factors where relevant as well as regular reviews through the Board risk management process and the Audit, Risk and Security and Remuneration Committees.

Relevant S172(d) disclosures
Pages 36 to 42 Environmental
Page 68 Energy management
Page 53 Responsibility and sustainability
Pages 43 to 47 TCFD disclosures
Page 69 Community and Society, Human rights and Anti-bribery and anti-corruption
Page 87 Engagement environment and community

Setting culture and conduct

s172 link (e, f)
The Board sets the Group's purpose, values and strategy, ensuring it is aligned with our culture. To ensure section 172 requirements are met, stakeholder factors are addressed in Board papers, and through standing agenda matters presented at each Board meeting (for example, the CEO presents updates on the financial overview, strategic progress, investor relations, business development, and operational progress) and the Company Secretary presents updates on relevant corporate governance and compliance matters.

Relevant S172(e,f) disclosures
Pages 48 to 53 Social
Pages 76 to 77 Purpose and culture
Page 57 Internal controls
Pages 90 to 91 Shareholder engagement
Pages 73 and 132 Annual General Meeting
Pages 56 to 61 Risk Management
Page 81Governance structure

Non-financial and sustainability information statement

The non-financial and sustainability reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006 are addressed within this section by means of cross reference, in order to indicate where they are located within the strategic narrative and to avoid duplication. We have a range of policy and guidance, some of which is published on our website: **www.QinetiQ.com.**

Certain of the non-financial and sustainability information required pursuant to the Companies Act 2006 is provided by reference to the following locations:

Non-financial information	Section	Pages
Business model	Business model	14
Policies	Non-financial and sustainability information statement	68
Risk management	Risk management	56
Principal risks	Risk management	58
Key Performance Indicators	Key performance indicators	33
Sustainability (ESG)	Environmental Social Governance	35
Board Diversity Policy	Corporate Governance	96

Our people

Policy statement	Description
Code of Conduct	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 (page 54). There is guidance on our standards, on ethical decision-making and also how to seek help and raise concerns. We review our Code of Conduct annually to reflect the needs of our business, regulations and best practice.
Speak Up	Guidance for our people and third parties on how to 'speak up' is provided within our Code of Conduct and our supplier Code of Conduct (see page 55), both are available on our website. Speak up and the Code of Conduct form part of the Business Ethics Committee and ESG Steering Committee agenda and updates are part of ESG papers for the Board. Confidential reporting is overseen by the Audit Committee; the process is described on page 90.
Health and safety	Our Health and Safety policy outlines our commitment to continuously improving standards of safety management and compliance. This is supported by our EHS Strategy. The effectiveness of the policy is governed through our assurance process and our six-monthly self-certification. Safety issues are part of a regular governance timetable, quarterly through the Technology and Operational Excellence Council meetings, through QinetiQ Leadership Team (QLT) meetings and regularly as part of the Board Risk and Security Committee (see page 106). Lost Time Incidents (LTI) as a key non-financial KPI (page 33), and have shown an improvement compared with FY23. Safety programmes are described on page 48 and listed in our operational risks (page 60).
Diversity and inclusion	Diversity and Inclusion forms part of our Employee Engagement and Culture Group Requirement and underpins our approach to supporting an inclusive workplace. The effectiveness is governed via our assurance processes and KPIs with monthly oversight by our QLT as well as regular oversight by the Board. Our Inclusion, Diversity and Belonging Strategy including an improvement in gender diversity (against our 30% by 2030 target), is described on pages 68 and 69. Data and progress against the Board's Diversity and Inclusion Policy is described on page 96.

The environment

Policy statement	Description
Environmental management; waste management and sustainability appraisal	We are committed to embedding an environmentally sustainable approach to business because we understand its importance to our business and our stakeholders (see page 39). The effectiveness of our Environmental Group Requirement is governed through our assurance process and our six-monthly self-certification. Environmental issues are part of a regular governance timetable, with oversight by the ESG SteerCo, the Environment Council (page 40) and the Board Risk and Security Committee. We are certified to ISO 14001 in the UK and Canada and so are subject to external audit. We recognise that reducing waste meets our sustainability goals and contributes to our Net-Zero plan. On page 42 we outline our approach. Our Environment Council has oversight of our approach. Sustainability appraisals are required under the LTPA. They involve an assessment of an activity across 16 sustainability themes. The effectiveness is governed via our assurance processes as well as regular review and oversight by the UK MOD

Climate-related financial disclosure requirements S414CB(2A)

The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 place requirements on QinetiQ to incorporate climate disclosures in the annual report and accounts. We believe these have been addressed within this years climate related disclosures within our statement on TCFD (pages 43-47)

(a) QinetiQ's governance arrangements in relation to assessing and managing climate-related risks and opportunities (page 43)

(b) how QinetiQ identifies, assesses, and manages climate-related risks and opportunities (page 46)

(c) How processes for identifying, assessing, and managing climate-related risks are integrated into QinetiQ's overall risk management process (page 46)

(d) The principal climate-related risks/opportunities arising in connection with QinetiQ's operations, and time periods to which they are assessed (pages 44-45)

(e) The actual and potential impacts of the principal climate-related risks and opportunities on QinetiQ's business model and strategy (pages 44-45)

(f) An analysis of the resilience of QinetiQ's business model and strategy, taking into consideration different climate-related scenarios (pages 44-45)

(g) The targets used by to manage climate-related risks and to realise climate-related opportunities and of performance against those targets (page 47)

(h) The key performance indicators used to assess progress against targets used to manage climate-related risks and realise climate-related opportunities and of the calculations on which the KPIs are based (page 47)

Community and society

Policy statement	Description
Volunteering	Our instructions provides guidance for employees to use Company time to use their skills, which enable us to make a positive difference in the community (page 53). The effectiveness is monitored by the ESG team, with oversight by the ESG Steering Committee and via our assurance process.
Safeguarding children and vulnerable adults	Our Instructions explain the importance of safeguarding as part of our community investment programme and outlines requirements for risk assessment and the right behaviours. The Instructions are managed both by the ESG team and locally by safeguarding experts in our Early Careers Team and via our assurance process.
Tax	Our tax strategy (available on our website) outlines our commitment to being compliant with tax legislation, wherever we do business. We recognise our responsibility to pay the right amount of tax, at the right time and in the right jurisdiction. Oversight of this commitment comes through external challenge, such as business risk reviews and audit questions from tax authorities and external auditors and internal reviews such as quarterly tax updates with executive level reviews of process and procedure. The tax strategy also has oversight by the Audit Committee (page 55).
Sponsorship and donations	Our approach is designed to ensure that all donations are made to appropriate organisations. We ensure that there is screening and due diligence and we also undertake selection with oversight by the Sponsorship and Donations Committee and our assurance process.

Human rights

Policy statement	Description
Human rights	We seek to anticipate and prevent potential negative human rights impacts through our policy and processes and address salient human rights issues through our Code of Conduct, ethical trading policy, international business risk management process and export controls process. Our policies ensure we meet all statutory requirements. We monitor the application of these policies through our business assurance processes and regular self assessment and with leadership oversight (ESG Steering Committee, Business Ethics Committee and Board). We believe that this integrated approach is effective in ensuring our business acts responsibly and respects human rights. (See page 55).
Modern slavery	We recognise our responsibility to comply with all relevant legislation, including The UK Modern Slavery Act 2015 and in accordance the modern slavery laws of other locations in which QinetiQ operates. Our supporting policies focuses on management of the supply chain and the requirements for due diligence. In addition we include modern slavery in our resourcing policy. Our Modern Slavery and Human Trafficking statement is updated annually, signed by our Board and published on the homepage of our website. The effectiveness is monitored via our assurance programme and leadership oversight (QLT and Board). See page 55 for details of the programme.
Data protection	Our Data Protection Group Requirement details how we manage the privacy and security of personal information. The effectiveness is monitoring via our assurance programme and leadership oversight (QLT and Board).
Supply chain code of conduct	Our Supplier Code of Conduct helps ensure our suppliers have clarity on our expectations on human rights issues. See page 55 and our website for more details.
International trade compliance	As an international business, it is vital that we operate fully within the requirements of international export requirements and this is addressed by our policies. The effectiveness is monitored via our assurance programme and leadership oversight (QLT and Board). See our website for more details.

Anti-bribery and anti-corruption

Policy statement	Description
Code of Conduct	Our Code of Conduct lays out our ethical standards, and contains advice on anti-bribery and corruption (see page 54).
Anti-bribery and corruption	Our Anti-Bribery and Corruption (ABC) Group Requirement sets out our responsibilities in observing and upholding our zero-tolerance approach to all forms of bribery and corruption. This ensures we meet applicable statutory requirements, has significant senior oversight at QLT and Board level, is managed via our assurance processes and self-certification and there are regular internal audits. Details of our ABC programme are provided on page 54.
Commercial intermediaries	Managing commercial intermediaries is one of a suite of key Group Requirements which supports our zero tolerance approach to ABC. It provides clear guidance on approach. This has Executive and Board oversight, is subject to our assurance process and self-certification.
Sanction screening	It is key that we comply with any sanctions requirements and so undertake various screenings. This is captured in our Sanctions Compliance Group Requirement, which is designed to ensure we comply, has QLT and Board oversight, and is subject to our assurance process and self-certification.
Gifts and hospitality	Our Gifts and Hospitality procedure and guidance in the Code of Conduct supports our zero-tolerance approach to ABC. It provides clear guidance on what is appropriate and how to record. This has QLT and Board oversight, and is subject to our assurance process and self-certification.