

Making a positive impact

Key highlights

- CBI Award for The 5% Club
- Green Apple Award for Energy Matters programme
- Successful pilot of the Safe for Life programme
- Improved Employee Engagement Survey score

QinetiQ's corporate responsibility priorities

Our priorities can be summarised across four themes, which we believe ensures that we meet our stakeholders' expectations and contribute to our future success.

Business ethics

To be a responsible and sustainable business

 P25



Responsibility to our people

To attract, engage and develop the best people

 P26



Community investment

To make a positive contribution to the community

 P28



Environmental stewardship

To be an excellent environmental steward

 P29



Engaging with our stakeholders

Our Corporate Responsibility strategy reflects the material issues for our business – defined by our overall business strategy and taking into account stakeholder priorities. We ensure that we understand these priorities through regular dialogue such as investor meetings, involvement in the MOD-Industry Sustainable Procurement Working Group and our employee engagement programmes. We have introduced a corporate responsibility network with representatives from across the business to raise awareness of programmes and plans. We are actively engaged with industry through the Defence Growth Partnership and trade body working groups on topics such as skills, environment and ethics.

Managing our approach to responsible business

Governance

Successful delivery of responsible business practice is driven by strong leadership and governance and we have Board and executive level commitment to corporate responsibility through the Group Risk & CSR Committee.

P70 – Report of the Risk & CSR Committee

The Committee receives reports and briefings on all material corporate responsibility issues including business ethics, health and safety, environment, reputational risk and human rights for its regular meetings. In QNA the Proxy Board oversees these activities, obtaining independent assurance on the adequacy of its compliance programmes on an ongoing basis. QinetiQ's commercial success is influenced by our ability to conduct business in overseas territories, transacting with foreign governments and commercial organisations in a legally compliant manner, controlling the international movement of certain strategic items. Employees are provided with annual training on export controls.

Certification

The Group's policies and management systems underpin our corporate responsibility programmes. In the UK, the business assurance tool provides internal assurance and we have the external certification ISO 14001 for our environmental management system, ISO 9001 for our quality management system and OHSAS 18001 for our health and safety management system.

Supplier management

While QinetiQ prides itself on having 'The People Who Know How', we also draw upon the goods and services provided by our approved suppliers. Our suppliers range from other industry primes to Small and Medium sized Enterprises (SMEs), meaning that QinetiQ contracts and collaborates with a wide variety of industry partners, and ensuring that our customers receive the best available solutions in the marketplace. Our robust procurement and supplier risk management processes ensure that we work openly and ethically, in the best interest of our customers.



Business ethics

In December 2014 we updated the QinetiQ Group Code of Conduct, including a new section on ethical decision-making. The Code lays out our ethical standards, providing employees with clear direction and guidance on how we do business across the Group. Employees are encouraged to talk to a manager if they have a concern and are provided with contact details for our ethics email advice services and our independently run, 24/7 confidential reporting line. Employees are supported in understanding and using the Code of Conduct through our annual business ethics training, which is a mandatory requirement for all employees. It is also undertaken by our Board and is available for our contractors and customers as well. In addition to explaining the Code of Conduct, the training provides a number of challenging scenarios to help employees know what to do if they were to come across issues such as bribery, fraud, discrimination and conflict of interest. We have also communicated with managers to remind them of the need to act if employees come

to them with issues. We have provided help and advice in response to all queries received via our ethics email advice services and all communication through the whistleblowing line is appropriately investigated.

Anti-bribery and corruption

We have a zero-tolerance approach to bribery and corruption and have put in place a range of governance measures. Anti-bribery risk management is embedded in our business processes; we have a process for undertaking due diligence, monitoring and auditing of our use of commercial intermediaries, and we use expert third-party providers of due diligence where appropriate. We provide more in-depth anti-bribery training for those in higher risk roles, for example those who carry out overseas business. Our anti-bribery programmes are overseen by our Chief Ethics Officers, who are senior executives.

Human rights

QinetiQ recognises that the UN Guiding Principles on Business and Human Rights

set a standard of conduct expected of companies. We seek to anticipate, prevent and mitigate potential negative human rights impacts through our policy and process, and through our Code of Conduct and business ethics training for employees, all of which underpin our commitment to responsible business conduct. QinetiQ has policies in place, among others, to support adherence to export controls, health and safety, non-discrimination, anti-bribery and environmental laws and guidance. This is further supported by our procedures on product safety, sustainable procurement, due diligence and risk management. We monitor the application of these policies and procedures through our business assurance processes. We believe that this embedded approach is effective. We have recently implemented a more structured approach to understanding human rights risk within our international business risk management process. We have also been working to improve our approach to human rights risk in the supply chain.

Corporate responsibility in action

STEM Outreach: Inspiring the next generation

Our Malvern site welcomed more than 90 children from four schools to a special STEM (Science, Technology, Engineering and Maths) event. With competitive activities such as creating autonomous Lego robots, programming airlocks, behavioural modelling and building Android apps alongside live

demonstrations of QinetiQ technology, our objective is to continue inspiring the next generation of scientists and engineers.

The event organiser, QinetiQ systems engineer and STEM ambassador Tara Francis, has been an outstanding volunteer in outreach initiatives, and was nominated in 2014 for a national STEMNET “Most Dedicated STEM Ambassador” Award.



The 5% Club: Investing in a generation

In September 2014, The 5% Club won the CBI Special Award for ‘Outstanding Business Led Campaign’. The award was presented to The 5% Club Campaign Director, QinetiQ’s Dr Sam Healy, who said:

“Aiming to tackle the dual issues of youth unemployment and skills shortages, the campaign encourages members to provide great ‘earn and learn’ opportunities for young people with the aim of having 5% of their workforce on apprenticeships or graduate programmes. It’s been a rewarding experience to work on this campaign. I’m delighted by the response from industry – we now have over 70 members and I’m looking forward to working with even more organisations in the future.”



Responsibility to our people

2015 Highlights

- The 5% Club received the CBI Award for Outstanding Business Led Campaign
- Increased employee engagement
- Successful pilot of Safe for Life

2016 Priorities

- Introduce a UK Safety Culture Climate Survey score
- Continuing reduction in Lost Time Incident Rate
- Increase employee engagement
- Continued commitment to The 5% Club

Safety, health and wellbeing

QinetiQ puts the safety, health and wellbeing of its people at the heart of operations and safety, health and wellbeing underpin our strategic goals. We continue to focus on reducing accidents and work-related ill health as part of our continuous improvement activity. Last year we decided to move away from a focus on the UK RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013) to overall Lost Time Incident (LTI) Rate, which provides a more internationally relevant lagging indicator for the Group. LTI Rate is highly dependent on the number of employees (calculated as the number of lost time incidents, where the employee is away from work for one or more days, times 1,000 divided by the total number of employees). The headcount in the North American business reduced significantly with the divestment of US Services. Therefore the LTI Rate of prior years has been restated to exclude the US Services business. On this restated basis the LTI Rate has reduced slightly from 5.8 to 5.6.

Lost Time Incident Rate	2015	2014	2013
QinetiQ Group (Excluding US Global Products)	5.0	5.0	5.3
US Global Products	17.8	17.8	17.6
Total	5.6	5.8	6.3

Adjusted in prior years to exclude US Services business. Last year we recognised a weakness in lagging

indicators and, coupled with the desire to improve safety, we introduced 'Safe for Life' into our UK Weapons business. 'Safe for Life' focuses on behavioural safety including safety leadership, human factors, error management and everyday behaviours of our people. The programme is underpinned by a Safety Culture Climate Survey and is supported by local champions. The pilot programme will complete with another Safety Culture Climate Survey in the first half of 2016. Whilst it is too early to identify changes in the safety climate, safety theory would suggest that where safety culture is working well there will be ongoing reduction in significant incidents accompanied by an increase in the reporting of safety related behaviours and hazards. Encouragingly the significant incident rate has halved from 2.7 to 1.3 (per 1,000 employees) and the reporting of safety related behaviours and hazards has significantly increased.

There were no prosecutions, prohibition notices or improvement notices issued by regulators in the UK in 2015.

We continue to develop our health and wellbeing programmes. The UK Wellbeing programme and QinetiQ Benefits+ scheme in the UK are offering more services, with increasing uptake by employees. Free flu jabs and health assessments (measuring BMI, blood pressure and cholesterol) continue to be popular. A new area of focus in the coming year will be improving the inclusion of employees who have underlying health conditions by providing an expert support network.

Safety of products

Our most prized possession is trust; delivering products and services safely is essential to our commitment to customers. We have created distinct lines of responsibility for both ensuring and assuring product safety and compliance, with competent individuals holding formally delegated responsibilities. In the UK, technical assurance and independent design review have been fully integrated into our product and engineering lifecycles. We continue to invest in attracting and developing engineers and scientists with

specialist safety expertise and competence. Improvements continue to be driven by our Engineering, Science and Technical leadership team, supported by independent review and audit. We actively support collaborative working with the MOD and other industry organisations, including professional institutions, in order to develop and implement best practice safety standards.

Employee engagement

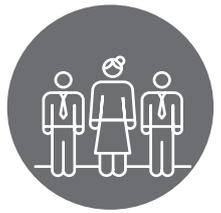
We regularly communicate with employees to ensure they understand QinetiQ strategy and business priorities. Company performance is shared to ensure our employees are aware of what the results mean to our business, how we have made progress against our strategic direction and the market challenges we face. We do this through a wide range of communications channels, e.g. the intranet, roadshows and townhalls.

Our UK Employee Engagement Group (EEG) is an independent consultative forum which covers almost 85% of the Group workforce. Representatives, elected by employees, share views with leadership teams at local, divisional and executive level; so everyone gets to have their say. The EEG listens, gathers feedback and represents employees through times of change; whether it's a local or Company-wide issue. The representatives are the employee voice to constructively challenge policy decisions and actions that have an effect on employees' working lives or wellbeing.

The annual independent Employee Engagement Survey is one of the key tools used to gain feedback from our employees. Following the divestment of US Services, the survey now covers over 90% of employees (it excludes US Global Products). The response rate in 2015 was 73%, which is high in comparison to industry norms, and we scored 613, up from 593, which places us in Best Companies 'Ones to watch' category. The leadership teams develop specific action plans to address areas identified for improvement, e.g. collaboration between teams.

Learning and development

Our people are critical to the delivery of excellent service to our customers and we have a highly qualified, experienced



and stable workforce. We have a continued focus on attracting, developing, supporting and retaining our people, which creates the foundation for our future growth. We have established an Engineering, Science and Technical community to create a supportive and collaborative environment for our technical people and we have appointed six new Fellows, who are recognised by QinetiQ customers and peers for their expertise and excellence in their field.

In 2016 we will be launching the QinetiQ Academy, which will underpin our continued focus on delivering excellent training and development. It will support our people in the competencies they need to deliver their roles today, but also ensure they have the skills and succession opportunities for the future. By developing leadership programmes to enhance the skills and knowledge of our current senior team, and growing our next leaders through our talent pool, QinetiQ is well placed to respond to change and look to new horizons.

The 5% Club – Investing in a Generation

The 5% Club, spearheaded by QinetiQ, has gone from strength to strength, with membership at 72 (at 31 March 2015) and including large and small companies from a range of sectors and recently the MOD. The 5% Club involves formalising what an organisation does in terms of apprentice and graduate programmes and making the public commitment that these will comprise 5% of the UK workforce within the next five years. By encouraging employers to offer great ‘earn and learn’ opportunities for young people, we see this as a key step in developing the future skills, knowledge and experience needed across the UK.

The 5% Club	2015	2014
Number of apprentices	208	121
Number on graduate programmes	102	106
Number of sponsored students	8	17
Percentage of UK workforce	5.9%	4.8%

Given QinetiQ’s commitment to the development of the next generation, we have reviewed our UK Graduate Scheme and will be improving the overall experience. Graduates will be given opportunities outside their main specialism, with the ability to grow their career with us across a much wider career remit. We are refreshing ‘Cortex’, which provides a practical and friendly support network for those at the start of their careers. Recognising the difference in the attraction and support needed to continue to achieve our objectives with The 5% Club, we have separated out the Early Careers Team into a specialist Centre of Excellence within HR. This team continues to look at new and innovative ways to engage with schools, colleges, universities and other establishments to attract talented people.

A team of QinetiQ apprentices reached the final of the Brathay Apprentice Challenge 2014, a six-month competition that saw them come in second place and raise £2,300 for charity. Supported by the National Apprenticeship Service, the Challenge tests non-technical work skills and the personal attributes of competing apprentices. The eight finalist teams were selected from over 110 teams and 1,000 apprentices who entered the competition.

The QinetiQ Brathay challenge team, 2014.



Diversity and inclusion

Inclusion of all employees is a key objective. The US Global Products business has a number of alliance partners that assist in all aspects of inclusion. In the UK, we are working with the Employers Network for Equality and Inclusion and, using tools they have developed, we have undertaken a gap analysis to evaluate areas for improvement in our approach to diversity and inclusion. This will form the baseline to measure improvement. With the Global Working Centre of Excellence being set up to look at issues related to the increased activity across the global market, they will also give consideration to diversity and inclusion issues across the territories and regions in which we work.

The breakdown of the number of employees by gender at the end of March 2015 is shown in the table below.

Level	Female	Male
Board Directors	1	8
Senior managers	33	279
All employees	1,236	5,014



Community investment

2015 Highlights

- Several successful flagship STEM outreach events including Schools Powerboat Challenge
- Second year of awarding the Volunteer of the Year award
- Employee Engagement Survey score 'giving something back' increased

2016 Priorities

- Continue to increase employee volunteering participation and reaching more girls as part of the Your Life campaign pledge

QinetiQ is committed to being a good neighbour in the communities in which we operate. We believe it's the right thing to do and it is valued by our employees. The 'giving something back' section in our employee survey allows employees to express their opinions on our community programmes.

One way in which employees contribute to being a good neighbour is by volunteering their time and professional skills. Our UK Employee Volunteering Scheme has been running since 2011 and provides employees with time and access to a bursary. A similar

programme has been launched this year in Australia, called 'Operation Give Back', where employees volunteer as individuals or in teams for one day a year.

Our flagship initiative is our STEM (Science, Technology, Engineering & Maths) outreach programme with the aim of inspiring the next generation of scientists and engineers. We value our relationships with organisations such as STEMNET, the Arkwright Scholarship Trust and the SmallPeice Trust in the UK and various robotics education programmes in the US. Our UK STEM Ambassadors have organised STEM outreach events for school children such as the annual Powerboat Challenge and have hosted the UK Cyber Security Challenge. QinetiQ Australia has provided its Paramarine Ship and Submersible Design Software to students of Australian schools participating in the Future Submarine Technology Challenge (SUBS in Schools) in association with the Re-Engineering Australia Foundation Ltd. QinetiQ's Space business in Belgium participates in STEM outreach programmes such as Technoteens.

QinetiQ is a signatory of the 'Your Life' campaign, and our priorities are to encourage employees to take part in STEM outreach programmes, and ensure that we are reaching more girls. Our non-STEM employees also use their

professional skills in the communities where we operate through programmes such as Young Enterprise and they offer mentoring through the Social Mobility Foundation.

Last year we created a new Volunteer of the Year award, which recognised the achievement of an employee who has made an outstanding contribution by volunteering in the community. Last year's award was won by Dr Ruth Tunnell for her mentoring through the Social Mobility Foundation.

QinetiQ in the UK continues to support three corporate charities voted for by employees (Cancer Research UK, Help for Heroes and RNLI) by providing matched funding for any employee fundraising activities. A sponsorship and donations committee reviews charity requests and a small number of additional donations to local charities are made on a case by case basis where there is an alignment to our strategy. Employees can also choose to give to their chosen charity pre-tax through payroll giving. In the US, employees focus on supporting wounded military and their families by contributions to a range of specialist organisations. In Belgium they continue to support a community investment project at a school in Baladharshan, India.

QinetiQ employees climbed Helvellyn mountain via Striding Edge for Cancer Research UK. Together they raised over £3,000.





Environmental stewardship

2015 Highlights

- Green Apple Award for Energy Matters programme
- Good progress against energy reduction target

2016 Priorities

- Improve asset re-use and waste recycling
- Reduce greenhouse gas emissions due to UK energy use by 17% by 2020 from the 2013 baseline

Environmental stewardship

QinetiQ’s environmental management system (EMS) is geared to the unique challenges of delivering a compliant, sustainable and ever improving workplace against the background of MOD and technology based trials, often within environmentally sensitive areas. Our UK EMS, certified to ISO 14001, is supported through the collaboration of the business, site and functional teams, with specialist support from our regional Environmental Advisors. The use of sustainability appraisals, in trial and project planning, enables early identification of potential hazards/impacts and determination of suitable and sufficient mitigation measures. In addition, our monitoring processes have been further strengthened, during 2015, via structured Evaluation of Compliance formats and processes, feeding a site status EMS matrix.

Director of facilities management and Energy manager, receiving the Green Apple Award for the Energy Matters Initiative.



UK waste management

Total waste levels in FY15 were lower than in the previous year with 5,001 tonnes (including 313 tonnes of hazardous waste) compared to 5,514 tonnes (including 112 tonnes of hazardous waste) in FY14. However we missed our challenging objective to have less than 10% waste go to landfill. We achieved 13%, principally due to the need to review and re-balance segregation and collection arrangements following footprint and waste service changes. There was, however, a slight increase in recycling, reaching 76% (up from 74% in FY14). Enhanced re-use of assets and segregation/recycling of waste will continue to be our focus during FY16.

Greenhouse gas emissions and energy management

We are making good progress on UK energy reduction via our Energy Matters programme. Energy Matters brings together a focused campaign element, promoting involvement and the contribution that can be made at all levels within the organisation, with a structured network of Energy Champions and Energy Engineers to identify and manage significant consumption reduction projects and maintenance. During 2015, we received a Green Apple Award for the Energy Matters initiative. Our UK electricity usage was 7% lower than last year and oil use reduced by 5%, however there was a 2% increase in our use of gas.

We continue to submit voluntarily to the CDP Climate Change Programme and are registered for the Carbon Reduction Commitment (CRC) scheme. During 2016, we will be seeking accreditation to the ISO 50001 Energy Management standard, as part of our ongoing commitment to driving and demonstrating improvement across the footprint and to meet the requirements of ESOS (the Energy Savings Opportunity Scheme). We continue to capture and report our greenhouse gas (GHG) emissions across the Group to reflect the requirements of the Companies Act 2006 (Strategic report and Directors’ report) Regulations 2013.

The GHG emissions statement below provides a summary of the Group’s emissions from 1 April 2014 to 31 March 2015, giving a summary of Scope 1 (fuel combustion and operation of facilities) and Scope 2 (purchased electricity) emissions and an intensity ratio (per £m of revenue). We have adopted a financial control approach and have used the UK Government’s Conversion Factors for Company Reporting 2014 and Defra reporting guidance (October 2013).

The figures below reflect a number of changes in our business, including the divestment of US Services, some acquisitions, and some improvements in data capture.

	Year ended 31 March 2015	Year ended 31 March 2014
Group GHG emissions		
Total Scope 1 emissions (tCO ₂ e)	26,534	27,590
Total Scope 2 emissions (tCO ₂ e)	39,668	38,371
Total Scope 1 and 2 emissions (tCO ₂ e)	66,202	65,960
Intensity ratio (tCO ₂ e per £m of revenue)	87	55

Conservation

Our partnership with Marwell Wildlife, for the management of the Eelmoor Marsh Site of Special Scientific Interest (SSSI), at our Head Office in Farnborough, goes from strength to strength, ensuring ongoing ‘favourable condition’ status. During FY15, we enhanced communications to our employees and introduced some guided tours of the area, with significant positive feedback; an initiative we are keen to repeat during FY16. Many of our sites and those we manage on behalf of the MOD contain designated conservation areas and our sustainability appraisal process plays an important part in addressing any potential issues as we deliver our test, evaluation and training support services.