QINETIQ

Serving the national security interests of our customers

QinetiQ Group plc
Annual Report & Accounts 2023

QINETIQ

Our purpose

QinetiQ is dedicated to protecting lives and securing the vital interests of our customers

Who we are

We are a leading science and engineering company operating in the defence and security markets. We are an information, knowledge and technology-based company with the breadth and depth of over 8,000 highly dedicated employees.

What we do

We apply our unique technical expertise across the product lifecycle, helping our customers to create, test and use defence and security capabilities.

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Contents

Serving the national security interests of our customers

Strategic report

Group CEO review

We delivered excellent operational performance throughout the year, reflecting continued disciplined execution of our strategy. We have increased our global ambition for the company, targeting high single-digit organic revenue growth at stable margins, supplemented by strategically aligned acquisitions to build a business with revenues of £3bn by FY27, approximately doubling the size of the current business.

Read more on page 06

What we do

We have unique capabilities around the world critical to maintaining national defence and security. Our capabilities are aligned with customer priorities, well positioned to capitalise on our £30bn addressable market opportunity.

Read more on page 10

Our strategy

Creating a global leader in mission-led innovation. Our strategy delivers on this through three complementary and mutually reinforcing pillars: global leverage, distinctive offerings and disruptive innovation.

Read more on page 17

Environmental, Social and Governance

QinetiQ has taken an active leadership role in ESG in the defence sector for a number of years. This year we have invested significantly to improve reward and benefits for our people and have been included in the Sustainalytics 2023 Top-Rated ESG Companies list.

Read more on page 52

Governance

Group Chair's introduction

I am extremely proud of the critical role that QinetiQ plays in defence and security around the world, particularly in our three home countries of the UK, the US and Australia, helping NATO and our allies to protect lives and secure the vital interests of our customers.

Read more on page 04

Board leadership and decision making

Key decisions made by the Board include strategic decisions on potential acquisition opportunities, US leadership and our Net-Zero plan, and key operational oversight on the cost of living crisis, TCFD and our safety improvement programme.

Read more on page 95

Risk and Audit Committee report

Key areas for the Audit Committee have included internal control and risk management, treatment of accounting judgements on key programmes, ESG target-setting, assurance and reporting, including Climate-Related Financial Disclosures (TCFD).

Read more on pages 120 and 126

Remuneration Committee report

During FY23 the Remuneration Committee has continued to implement the Directors' Remuneration Policy in the interests of our stakeholders. Following shareholder feedback the new Remuneration Policy has been developed, presented here for approval at the 2023 AGM.

Read more on page 130

How we have performed

Financial highlights

Strong growth and underlying performance across all metrics.

Orders

£1,724.1m

(FY22: £1,226.6m)

FY23	**£1,724.1m**
FY22	£1,226.6m
FY21	£1,149.4m

Revenue

£1,580.7m

(FY22: £1,320.4m)

FY23	**£1,580.7m**
FY22	£1,320.4m
FY21	£1,278.2m

Underlying* operating profit

£178.9m

(FY22: £137.4m)

FY23	**£178.9m**
FY22	£137.4m
FY21	£151.8m

Statutory operating profit^

£172.8m

(FY22: £123.7m)

FY23	**£172.8m^**
FY22	£123.7m^
FY21	£108.7m

Underlying earnings per share

26.5p

(FY22: 20.6p)

FY23	**26.5p**
FY22	20.6p
FY21	22.1p

Statutory earnings per share

26.8p

(FY22: 15.7p)

FY23	**26.8p**
FY22	15.7p
FY21	21.4p

^ Prior year comparatives have been restated due to a change in accounting policy for Research and Development Expenditure Credits (RDEC). See note 38 to the financial statements for details.

* 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

Excellent operational performance across the company globally.

Partnering to deliver experimentation, test and evaluation for the Royal Navy's fleet

QinetiQ has renewed its Maritime Strategic Capability Agreement (MSCA) with the Submarine Delivery Agency. The 10-year, £260m contract, will deliver critical capabilities in Hydromechanics, Stealth and Signatures, Structures and Maritime Life Support that assure the UK's ability to design, build and safely operate the Royal Navy's surface and subsurface fleet, including the UK's Continuous at Sea Deterrent. This significant 10-year commitment from the MOD, which includes an option for an additional five years, is a testament to the value that QinetiQ has delivered since 2008 when the original 15-year contract was secured.

Transforming mission data for the UK MOD

The UK MOD has signed an £80m industry partnership with QinetiQ-led Team Pegasus, enhancing the UK's ability to provide its military platforms and systems with the data needed to keep them safe and effective. Team Pegasus will work in partnership with the MOD for a 10-year period on the transformation project – SOCIETAS – providing a specialist mission data and electronic warfare skills solution alongside training and IT support.

Avantus extending into intel customer

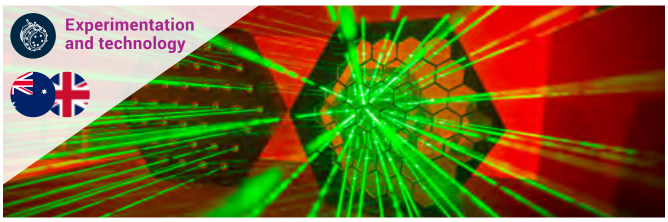
In the US, we strengthened our cyber and information advantage offering through the acquisition of Avantus Federal LLC. Avantus is a leading provider of mission-focused cyber, data analytics and software development solutions. The business continues to deliver high-value operational outcomes for our customers, including the selection for a new $80m multi-year contract by a national intelligence customer.

Delivering digital night vision technology for the US Army

We have been awarded a $93m single award four-year contract to support the US Army with the analysis, development, demonstration, testing, acquisition, integration, initial deployment, sustainment and training of Digital Night Vision Technology to support military operations. DNVT will substantially enhance the warfighter's situational awareness and decision-making abilities by fielding digital night vision capabilities coupled with component technology enhancements in support of warfighters.

Air Affairs expanding threat representation

In December 2022 we completed the acquisition of Air Affairs (Australia) Pty Ltd for A$53m. Air Affairs provides targets and training services, and electronic warfare capabilities to the Australian Defence Force, as well as aerial surveillance and reconnaissance in support of government firefighting efforts. The business guarantees QinetiQ is positioned as a market leader in air threat representation and aerial target services and further extends the scope of capabilities in the Sector.



Developing new laser technology with Australian Armed Forces

QinetiQ has partnered with the Australian Department of Defence to develop and manufacture a high-energy defensive laser weapon system prototype. The contract involves leveraging QinetiQ's high-power laser technology from the UK and test and evaluation expertise in collaboration with Department for Science and Technology's scientific innovation, to deliver enhanced sovereign capability to the Australian Defence Force.

Group Chair's statement

A critical role in global defence and security

"I am proud to be Group Chair of a company of talented and world-leading experts that are committed to delivering for our customers, making a real difference to defence and security across the world."

This past year has seen continued unrest and growing conflict across many regions of the world. Whether you look to Eastern Europe, the Middle East, the Indo-Pacific or most recently Sudan, it is clear to see the important role that the defence sector plays to protect societies and national interests. While it is saddening to see these global conflicts develop and evolve, I am extremely proud of the critical role that QinetiQ plays in defence and security around the world, particularly in our three home countries of the UK, the US and Australia, helping NATO and our allies to protect lives and secure the vital interests of our customers.

Delivering for our customers, employees and shareholders

Our financial results demonstrate the continued high demand for our services and solutions, with another strong year of consistent financial and operational performance from the QinetiQ Group. We have continued to deliver safely for our customers with reduced Lost Time Incident rates and improved customer relationship scores. We continue to deliver on our promises with high-value services and solutions, solving our customers' complex problems, delivering on time, quality and cost.

Our customers partner with QinetiQ because of the breadth and depth of technical knowledge, experience and commitment of our people, so we recognise the importance of an engaged and aligned workforce. With elevated inflation, this year we have taken decisive steps to support our people through the cost-of-living crisis around the world – we have implemented one-off pay rises for the lower paid, introduced a hardship fund to support those in financial difficulty and rolled out an adaptive working policy to enable our teams to work more flexibly to balance work and home needs more effectively. We retain our capital allocation policy and have increased our full year dividend by 5% to 7.7p per share.

Consistent with our strategy to develop a multi-domestic mid-tier defence and security company, aligned to the AUKUS partnership we completed two significant acquisitions in the year, with the acquisition of Avantus in the US and Air Affairs in Australia. The acquisition of Avantus is our largest acquisition ever completed and positions us as a disruptive defence and intelligence business in the US. We recognise the challenges and some of the difficulties faced previously acquiring in the US, so this has been a considered and well thought-through acquisition, across the three lenses of strategy, economics and integration. Whilst we took on debt for the first time in a decade, the cash generative nature of QinetiQ has resulted in leverage reducing to under 1x Net Debt - EBITDA after only four months, a year ahead of original expectations, giving confidence in our ability to manage and operate in a leveraged position.

ESG remains high on the agenda for the Board, the Leadership Team and for our employees. We are seeing excellent progress in the delivery of our Net-Zero plan with a 12% reduction in our emissions in the financial year and we have been recognised as a "top rated ESG company" by Sustainalytics and have retained our AA rating from MSCI. The UK Ministry of Defence Sanctuary Awards also recently recognised us for our conservation and sustainability activities on St Kilda, a double UNESCO World Heritage Site, where we undertake advanced test, trials, training and evaluation – a great example of where we complete

Capital allocation policy

Priority 1
Invest in our organic capabilities, complemented by acquisitions where there is a strong strategic fit.

Priority 2
Maintain balance sheet strength.

Priority 3
Provide a progressive dividend to shareholders.

Priority 4
Return excess cash to shareholders.

Read more on page 45

technologically advanced services whilst looking after the world around us. We also have a unique opportunity to help our partners and customers decarbonise through technology, whether that be our stealth material expertise that enables wider deployment of windfarms reducing the interference with radar, our battery experts developing high power batteries for military and commercial use, our large-scale low-speed wind tunnel being used to support advancements in aircraft efficiency or many other technology-driven solutions to improve sustainability for our stakeholders.

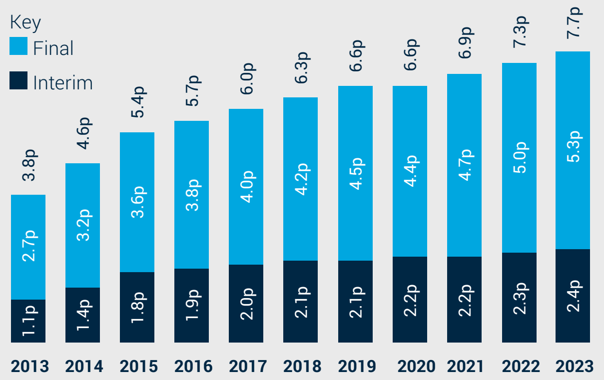
Read more about Net-Zero on page 58

Board changes

As announced previously, Michael Harper, who has been a Non-executive Director, Deputy Chair and Senior Independent Director is to retire from the Board with effect from the conclusion of the 2023 Annual General Meeting. I would like to thank Michael for his consistently invaluable contribution to both the Board and the QinetiQ Group.

Steve Mogford joined the Board in August 2022 as a Non-Executive Director and following Michael's retirement will step up to become Senior Independent Director. Steve brings a wealth of experience in both executive and non-executive roles from a breadth of sectors. In particular his long and comprehensive international defence and security sector experience equip him ideally to further develop the skill sets of our Board while supporting our global growth ambitions.

Historical dividend payments



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.

While not Executive-level appointments, following the retirement of Andy Thorp I am also pleased to see the QinetiQ Leadership Team develop further, with the appointment of Gary Stewart, from Rheinmetall Defence Australia, as Chief Executive of our Australian Sector, which includes the responsibility of QinetiQ Target Systems and our mission rehearsal business in Germany.

I would also like to take this opportunity to personally thank Steve Wadey, our Group CEO, for his leadership and drive over this past year. His strategic and operational leadership and that of the QinetiQ Leadership Team has been exemplary and an excellent demonstration of our values: Integrity, Collaboration and Performance. All of our people and teams have pulled together to deliver for our customers, my thanks go to all of them.

Read more about Our Board on page 96

Looking ahead

The successful delivery of strategic, operational and financial outcomes in the financial year has been pleasing to see, delivering for customers, employees and shareholders. This year has been one of investment, across our people, our capabilities and our geographic portfolio, which positions us well and gives me great confidence in the long-term future of the Group. As a result, we have raised our FY27 ambition to become a £3bn revenue business at stable margins delivering strong returns to shareholders. We have strong foundations to deliver on these promises: fantastic people, a cohesive strategy, a strong balance sheet and the right leadership.

I am proud to be Group Chair of a company of talented and world-leading experts that are committed to delivering for our customers, making a real difference to defence and security across the world.

Neil Johnson
Non-executive Group Chair
25 May 2023

Group CEO review

Excellent operational performance

"The heightened threat environment is increasing demand for our distinctive offerings, which are closely aligned to our customers' priorities. We have accelerated our global ambitions, now targeting revenues of £3bn by FY27."

We delivered excellent operational performance throughout the year, reflecting continued disciplined execution of our strategy. We grew orders by 41% at a record-high of more than £1.7bn, demonstrating the continued high demand for our distinctive offerings. We achieved 20% revenue growth, 11% on an organic constant currency basis excluding the impact of the write-down in the prior year, with underlying operating profit margin at 11.3%. In addition to the robust orders, revenue and profit performance, cash flow management continues to remain strong with 106% underlying cash conversion. We have successfully reduced leverage to 0.8x net debt to EBITDA, a year ahead of our original guidance.

EMEA Services continues to perform well, delivering 10% organic revenue growth and margins of 11.6%, with ongoing investment in our people supporting long-term growth. Global Products performance has been strong with revenue growth of 20% organically and profit margin of 10.4%. In particular our US business has performed well, with high order intake of $280m and impressive revenue growth of 25%, prior to the benefit of the Avantus acquisition. We have won a number of key contracts in the US that will support the delivery of our ambitious growth targets. The performance throughout the year in the US demonstrates greater stability and resilience, providing a strong platform for continued growth.

We completed three M&A transactions in late-2022, the disposal of QinetiQ Space NV in Belgium, the acquisition of Air Affairs in Australia, and of most strategic significance the acquisition of Avantus in the US. These transactions demonstrate the disciplined execution of our strategy and focused deployment of capital to drive long-term growth, building one integrated global defence and security company operating in our three home countries with six distinctive offerings.

Today we are announcing an increase in our global ambition for the company. We are targeting high single digit organic revenue growth at stable 11-12% margins, supplemented by strategically aligned acquisitions to build a business with revenues of c.£3bn by FY27. As we pursue our strategy the geographic mix of the company will change. Whilst the UK will scale by 50%, we will more than double the scale of our businesses in Australia and the US. This evolving mix across our home countries will result in delivering higher revenue growth at 11-12% margins, representing upper quartile performance. The result of this upgrade in our long-term guidance will deliver an increase of approximately 20% profit by FY27, compared to our previous guidance.

The growing market opportunity

The global security situation continues to worsen and tensions remain high. In Europe, Russia's invasion of Ukraine is reshaping their relationship with the West, and the threat from China remains uncertain. These dynamics are driving defence and security policies, prioritisation of budgets and modernisation of capabilities. Our major focus is on our three home countries who have a shared defence and security mission under the trilateral partnership known as AUKUS.

High single-digit

Targeted organic growth

£3bn

FY27 revenue ambition

The US has requested the largest ever Research & Development and Test & Evaluation, budget at $145bn, increasing 40% since 2020. The UK has refreshed its Integrated Review and is investing £6.6bn in R&D and experimentation over 4 years. And the Australian government has completed its Defence Strategic Review and is increasing defence spending by 7% to $53bn. Beyond the new nuclear submarine programme, all three countries are committed to working together on a range of advanced capabilities and technologies, critical to future warfare, such as advanced cyber and directed energy. These align well with our strengths and provide attractive opportunities over the long-term. In response to this geo-political context, we see greater opportunity from the widening threat spectrum and our enhanced offerings. As a result, we have increased our addressable market from £20bn to more than £30bn per year. This increase is driven by RDT&E markets growing in each of our home countries, adding intelligence and security markets for the first time, and our offerings are increasingly aligned with high-priority customer needs, enabling us to grow market share.

Building a £3bn defence and security company

QinetiQ is a purpose-driven company: protecting lives and securing the vital interests of our customers. Our purpose drives our strategy: to build an integrated global defence and security company, operating in attractive markets with distinctive offerings, to deliver sustainable growth for our shareholders. We have a clear business plan, guiding our strategic focus and investment choices, to enhance our global platform for growth.

The integration of Avantus is ahead of plan and will complete before the end of the year. The business continues to perform well, delivering high quality operational outcomes for our customers, and winning $100m of customer business including 100% of re-competes. The leadership team is now fully integrated and working together to pursue a number of revenue synergies by leveraging and cross-selling our offerings to existing and new customers, for example our sensor solutions for the US Army into the US Intelligence community. We've had a strong start to the year and we remain excited about the opportunity we've created, to build a disruptive mid-tier defence and intelligence company, in the largest defence and security market in the world.

Following the acquisitions of Avantus and Air Affairs, we will now achieve our previous FY27 growth ambition and guidance organically. Given our significant growth potential, we have chosen to increase building on our strong momentum, and with the heightened threat context reinforcing the long-term needs of our customers, we have chosen to increase the scale of our ambition. We are upgrading our revenue target to deliver high single digit organic growth, supplemented by further strategic acquisitions, to build the company to approximately £3bn revenue by FY27. As we pursue our strategy the geographic mix of the company will change. Whilst the UK will scale by 50%, we will more than double the scale of our businesses in Australia and the US. This evolving mix across our home countries will result in delivering higher revenue growth at 11-12% margins, representing upper quartile performance. The result of this upgrade in our long-term guidance will deliver an increase of approximately 20% profit by FY27, compared to our previous guidance. We remain disciplined in the execution of our strategy and have a robust plan to achieve this increased ambition, which will accelerate sustainable profitable growth.

Creating an environment for our people to thrive is critical to our performance and growth. We have increased employee engagement to a new high and invested in our response to ongoing cost of living pressures to retain, attract and reward the best talent across the whole company. We have also continued to strengthen our leadership with over 35% of our Top 100 leaders being American and or Australian. We have a leadership team with the diversity, skills and/or experience to deliver the scale of our AUKUS growth ambition.

In response to today's threat environment, our people are delivering for our customers with increasing agility and pace. They are focused on co-creating innovative solutions that are directly aligned with the priorities of the AUKUS customers in advanced technologies, such as sensing, autonomy and directed energy. To maintain our relevance at the forefront of innovation, we continue to invest in our ongoing Internal Research and Development programme of c.£20m per year.

Our people are also passionate about protecting the environment and delivering sustainable solutions for our customers. This year we have continued to make progress on our Net-Zero plan and reduced our Scope 1 & 2 emissions by a further 12%. To accelerate progress, our top 1,000 managers have 17.5% of their incentives aligned to delivery of our ESG commitments. This is just one example of why we have been rated as a top ESG company in our industry by Sustainalytics.

Outlook: FY24 expectations unchanged

We enter FY24 with confidence, a healthy order-book and positive momentum with 61% revenue under contract. Consistent with our upgraded long-term guidance, we expect to deliver high single-digit revenue growth compared to the FY23 pro-forma revenue (full year effect of FY23 M&A activity); this equates to high teens total revenue growth versus the FY23 reported revenue. Operating profit margin will be at the lower end of the 11-12% range. Capital expenditure is expected to remain within the £90m to £120m range.

Outlook: Longer-term upgraded guidance

We are targeting high single-digit organic revenue growth, supplemented by strategically aligned acquisitions to build a circa £3bn company by FY27. This increased level of growth will be delivered at stable margins of 11-12%, reflecting the evolving geographic mix of the global company. Cash conversion will remain strong at over 90%, supporting our ability to deploy capital effectively to achieve our long-term growth ambition and deliver a return on capital employed at the upper end of the 15-20% range.

Steve Wadey
Group Chief Executive Officer
25 May 2023

Five-year plan

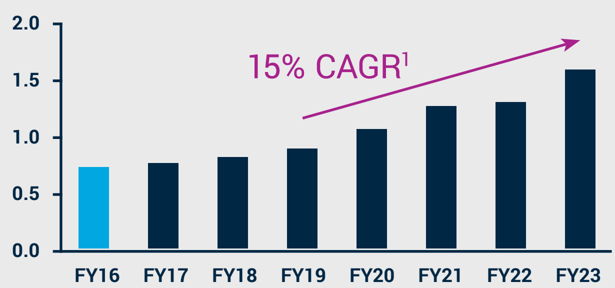
Increasing our ambition

Building on strong track record to accelerate next phase of global growth.

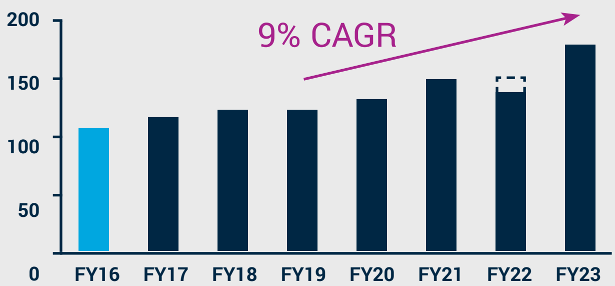
- In April 2022 we set out an ambitious plan to grow the Company to more than £2.3bn revenue by FY27+. We are now upgrading this plan and increasing our ambition for the Company.
- Strong operational performance over the last 8 years. Over the last 4 years we have grown revenue by 15% CAGR (compound annual growth rate) and profit by 9% CAGR.
- By focusing on our customers' needs, we are driving profitable organic growth and building strong momentum with increased forward visibility; our order book increased to £3.1bn and our forward orders pipeline has grown by 5 times since FY16, to £10bn.
- We are at an exciting stage in the development of the Company, with world events reinforcing the short and long-term needs of our customers for our distinctive offerings; and as a result we increase our ambition to grow to £3bn revenue by FY27.
- We intend to grow our UK business by 50% and more than double the size of our business in Australia and the US.
- By making disciplined investment choices, in both organic opportunities and strategic acquisitions, we are creating a unique and differentiated Company.
- This increased level of growth will be delivered at stable margins of 11-12%, reflecting a normalised level of investment and the geographic mix of the group.
- Delivering mission advantage for our customers globally and compelling returns for our shareholders, as we drive further profitable growth.

Excellent operational performance

Revenue (£bn)

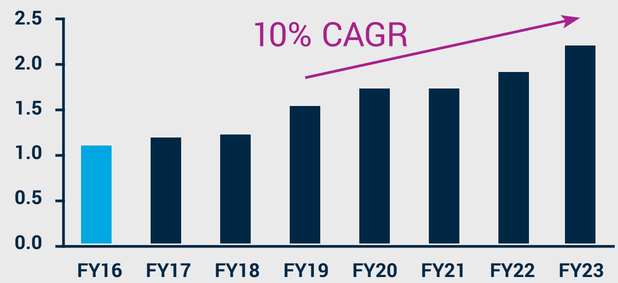


Operating profit* (£m[2])

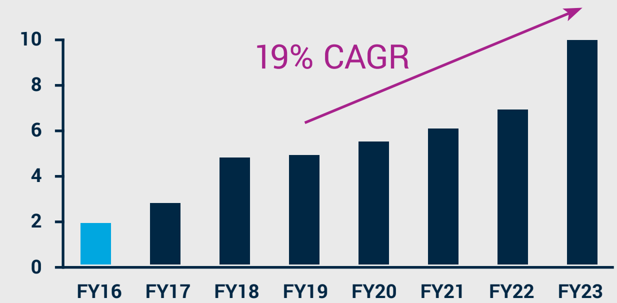


Expanding revenue visibility

Revenue under contract for next 3 years (£bn)[3]

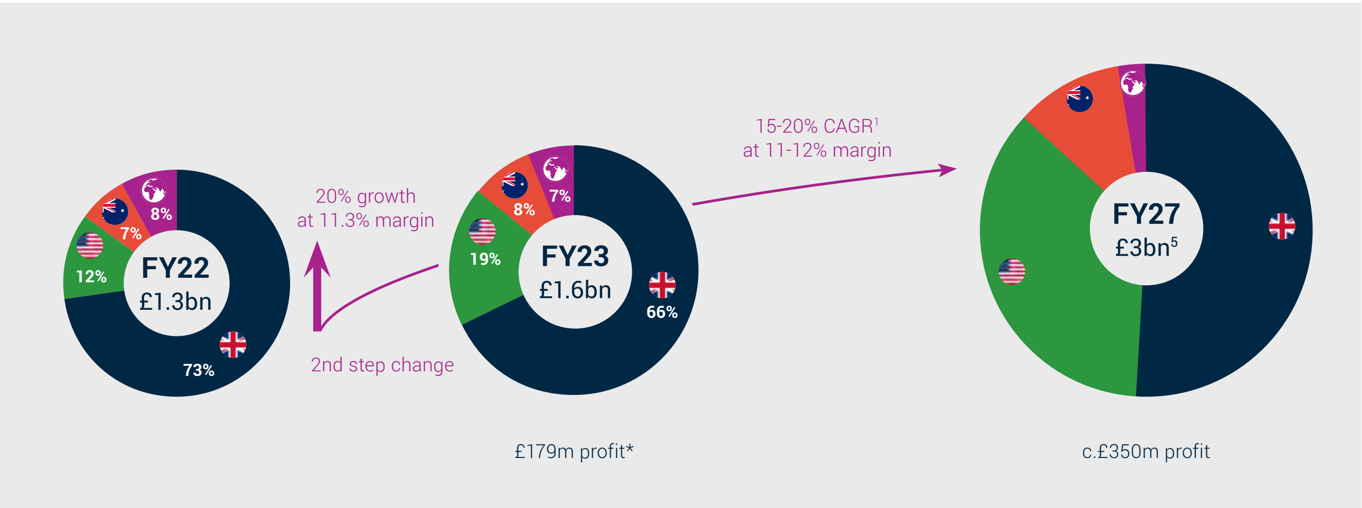


Orders pipeline for next five years (£bn)[4]



Strong track record of organic and inorganic growth

Increased ambition to approximately double the size of the business in the next four years



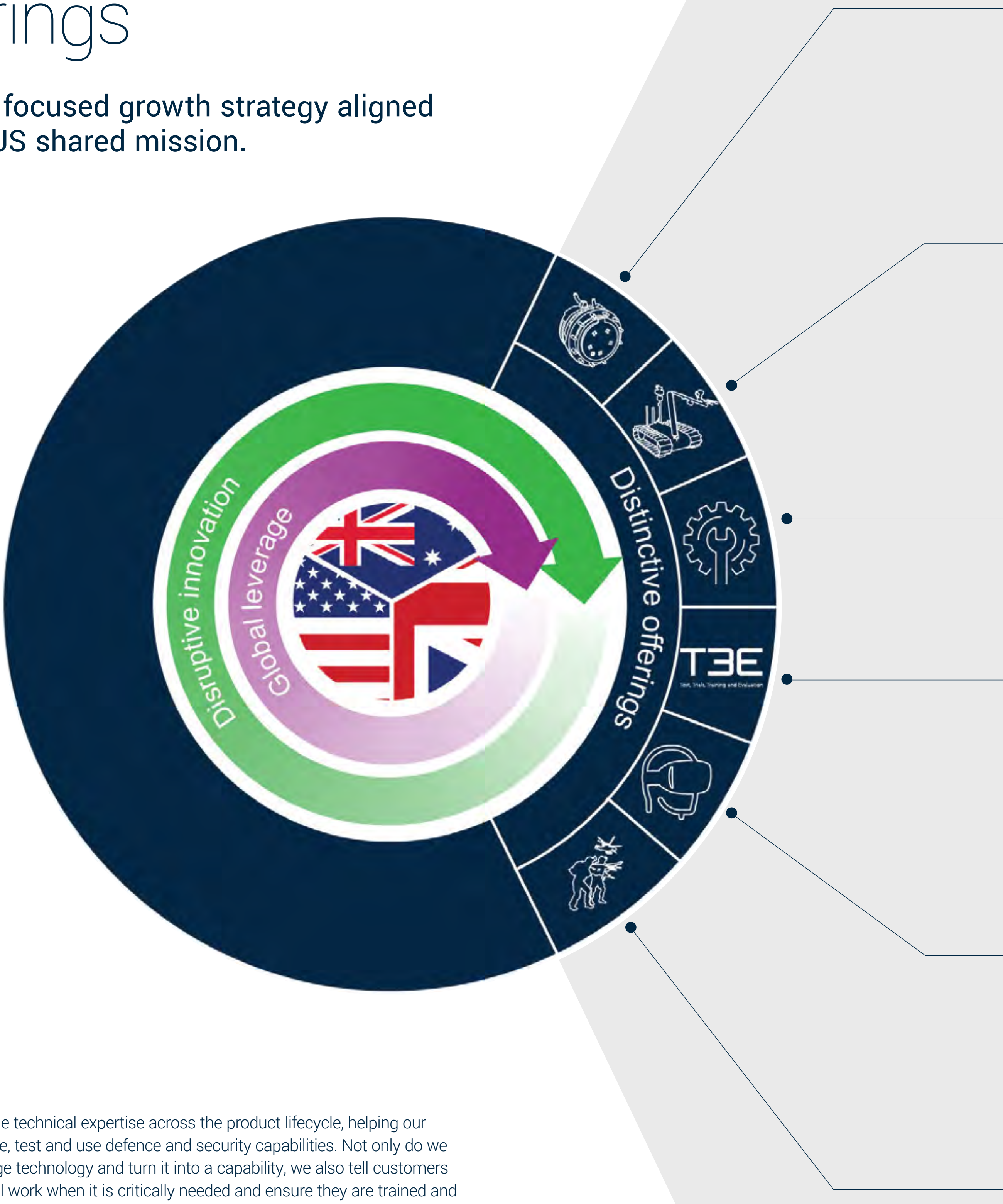
Robust plan to accelerate sustainable profitable growth

1 Compound Annual Growth Rate.
2 FY22 shows add back for complex project write-down.
3 Revenue under contract for next three years at end of FY.
4 Orders pipeline for next five years at end of FY, FY16 estimated.
5 Illustrative geographic distribution.
* 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.

What we do

Our distinctive offerings

Customer focused growth strategy aligned with AUKUS shared mission.



We apply our unique technical expertise across the product lifecycle, helping our customers to create, test and use defence and security capabilities. Not only do we develop cutting-edge technology and turn it into a capability, we also tell customers if that capability will work when it is critically needed and ensure they are trained and operationally ready to use it when it matters. Anticipating the current, emerging and future threat environment and proactively understanding our customers' needs to provide mission-led innovation are critical to our success.

Read more about our Markets on page 28

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.

Case study: E-X Drive on Bradley

We have successfully completed trials of our electric drive technology on the Bradley fighting vehicle, leveraging our capability from the UK, and positioning us for a key role within the US Army's Optionally Manned Fighting Vehicle (OMFV) program of record. The OMFV program's focus on advanced system infrastructure aligns with QinetiQ's forward-looking technology strategy.

Robotics and autonomous systems

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

Case study: Robot Command Vehicle – Light

The RCV Surrogate Prototype (RCV-SP) is a purpose-built unmanned hybrid electric vehicle developed to enable autonomous operation at speed across terrain. QinetiQ has delivered eight RCV platforms to the US Army for experimentation and is contracted to support ongoing user testing through the provision of spares, field support, and ongoing technology insertions and upgrades.

Engineering services and support

Working alongside a large network of supplier providers, 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.

Case study: Critical Engineering Services

We have been awarded a £32m three-year contract through the Engineering Delivery Partner (EDP) framework to provide programme and technical support to the new Catalyst Delivery Team, responsible for introducing new capability to the MOD air domain for various front line commands.

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.

Case study: Uncrewed Teaming

QinetiQ has delivered a UK and European first for the live airborne exchange and control of an Uncrewed Air System (UAS) between operators in separate crewed aircraft. This physical demonstration was successfully evaluated in parallel with a synthetic modelling trial to support the development of our digital test and evaluation capability.

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.

Case study: Automating and Embedding Secure Operations

Naimuri has delivered an innovative analysis system that uses the National ANPR system to determine whether County Lines trends and behaviours can be identified, analysed and included in the existing investigatory process.

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.

Case study: Platform Enabled Training Capability (PETC)

Phase 1 of PETC demonstrated the ability of the operational crew of a Royal Navy platform to train in its own operations room, simulating a realistic warfighting situation in an immersive environment. Phase 2 of PETC will allow the Royal Navy to undertake combined simulated warfare training while geographically dispersed.

Investment case

Our investment case is underpinned by four key attributes

By focusing on our customers' needs and evaluating all investment opportunities with the same rigour, we aim to deliver sustainable and attractive returns to our shareholders.

Operate in attractive markets

Our business operates in the defence and security markets, both of which are seeing significant spending increases. Furthermore, our capabilities are well aligned with areas that are growing faster than overall defence budgets:

- Global defence remains high on the geo-political agenda
- We are a key partner to nations with shared defence and security interests: (e.g. the UK, Australia and the US, known collectively as AUKUS)
- The total addressable market is worth more than £30bn, with a focus on the UK, the US and Australia
- We are seeing growing demand for our differentiated capabilities
- There is significant opportunity for global leverage of our capabilities across our business

>£30bn
addressable market

£3bn
revenue ambition by FY27

Unique capabilities and relevant offerings

We have unique capabilities around the world critical to maintaining national defence and security. In addition, many of our capabilities are well aligned with customer priorities:

- Unique position in defence, providing early-stage research and development, complex test and evaluation capabilities and select niche defence and security products
- Key partner to sovereign nations providing leading technical expertise and state-of-the-art facilities
- Relevant offerings for emerging and future threats
- Strong track record and significant opportunity for global leverage of capabilities across the Group
- Ambition to build an integrated global defence and security company

Six
distinctive offerings

>8,000
highly skilled employees

Strong financials and shareholder return

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

- Strong revenue visibility from long-term contracts
- Attractive margins at the upper end of defence contracting, demonstrating technical expertise
- 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 good operational rigour to support leverage for future acquisitions
- Clear capital allocation policy
- Progressive dividend policy

~£1.1bn
of FY24 revenue under contract

23%
return on capital employed in FY23

Delivering responsibly and taking a lead on ESG

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

- An important role in the defence sector, leading a number of sector and industry sustainability fora
- Early adopter and communicator
- Invested significantly to improve reward and benefits, increasing salaries (particularly addressing the lower paid employees) as well as setting up a hardship fund
- 30.5% reduction of our Scope 1 and Scope 2 GHG emissions against our FY20 baseline
- Included in Sustainalytics 2023 Top-Rated ESG Companies list
- Unique position to help our customers meet their sustainability goals

Top-Rated ESG Company
by Sustainalytics in 2023

AA rated
by MSCI

Business model

Exploiting emerging technologies and maintaining technological advantage requires extensive research and experimentation.

It requires dynamic approaches to innovation and partnerships to exploit the most advanced technology. It requires industry to deliver more for less, driving efficiencies with innovative delivery models.

Our strengths

01 Customer focus

Our employees are inherently customer-focused and adopt innovative and leading approaches to exceed our customers' expectations. This approach is underpinned by a high-performance culture where employees are engaged and empowered, supporting strong customer relationships and enabling us to act as a "trusted partner" in the delivery of critical services.

Read more about our customer focus on page 22

02 Distinctive offerings

We operate some of the most advanced Research, Development, Test and Evaluation facilities around the world. These facilities are often unique assets that are of strategic importance to national defence capabilities. By combining these facilities with the unique expertise of our people, we are able to support our customers in countering current, emerging and future threats.

Read more about our distinctive offerings on page 10

03 Technical expertise

Many of our employees are highly skilled scientists and engineers with deep domain knowledge and know-how. Their technical expertise is critical to delivering mission-led innovation for our customers, and our success is dependent on our ability to recruit, retain and engage high-calibre people.

04 Collaborative approach

The modern threat environment often requires collaboration across industry and academia to procure the most effective solution. By forming complementary partnerships and by managing large networks of small and medium-size enterprises, our collaborative approach ensures we deliver the most effective solutions for our customers.

Delivering for our stakeholders

A large proportion of our work is delivered under long-term contracts and we typically start the year with a significant proportion of revenue under contract, providing a high level of revenue visibility. In addition, our business is cash-generative by nature, meaning we are able to organically invest in our capabilities and sustain our business model.

Our people are critical to our success and we are continually investing to support their career development, wellbeing and engagement. We are also investing in our facilities and digital infrastructure tools, ensuring we can continue to support our customers in facing future threats and challenges.

Our customer value proposition

We apply our unique technical expertise across the product lifecycle, helping our customers to create, test and use defence and security capabilities.

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

Utilising our research and experimentation capabilities, our test and evaluation expertise and extensive domain knowledge, we develop and apply cutting-edge technology to help our customers create a true capability. We evaluate, integrate and secure the platforms, systems, information and assets on which missions depend.

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

We offer customers agile and realistic testing experiences so they can be sure that their capability works when it is critically needed. We operate some of the most advanced land, sea and air ranges in the world and combine the ability to manage live-fire exercises and rehearsals with our digitally enabled infrastructure to provide customers with realistic and cost-effective testing solutions.

Use It
Ensuring our customers are trained and operationally ready

By combining real and simulated training experiences, we can ensure our customers are operationally ready to use their capabilities when it matters. Blending testing, mission rehearsal and training, and analysis, we give customers tangible evidence about how their capabilities perform within highly authentic environments and provide advice on how to prepare them for operational use.

106%
Underlying cash conversion in FY23

~£1.1bn
of FY24 revenue under contract

Read more about how we deliver for our stakeholders on **page 26**

Purpose, values, behaviours

QinetiQ is dedicated to protecting lives and securing the vital interests of our customers

Protecting lives

QinetiQ provides technology and solutions in order to keep our armed forces and society safe

Securing vital interests of our customers

QinetiQ is focused on producing mission-critical solutions and innovating for our customers' advantage

Creating a safe and secure environment for us all to thrive

A high-performance and inclusive work environment where employees are engaged, empowered and clear about how they can contribute to our vision.

Our values

Integrity

We take pride in our decisions, and work to create a sustainable and responsible business. We take personal responsibility to do the right thing, both as an organisation and as individuals.

Collaboration

Delivering value through partnership and teamwork, we actively collaborate with our colleagues, customers and industry partners. We know that working together is the best way to meet our customers' needs.

Performance

Our performance is measured by how we deliver for our customers, meeting their needs through flawless execution and delivery of the mission-critical solutions on which they depend.

Our behaviours

Listen

We listen to what our customers say, ask questions to help us understand and challenge, and offer ideas and solutions.

Focus

We hear what our customers want, are clear about our priorities and know what needs to be delivered and why.

Keep my promises

We do what we say we will, are trusted to do the right thing, and are responsible and accountable for our own actions.

Strategic framework

Our strategy is increasingly relevant to respond to market dynamics

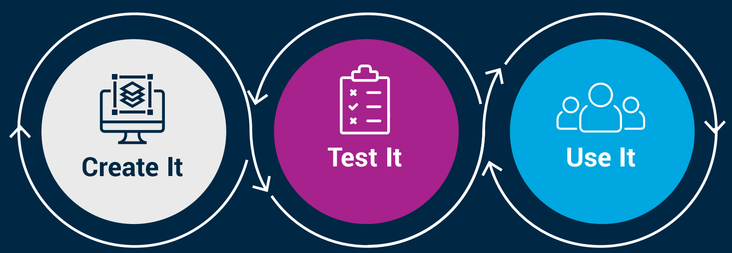
Our purpose

Protecting lives and securing the vital interests of our customers

Our vision

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

Mission-led innovation



Creating a safe and secure environment for us all to thrive

Our values		
Integrity	Collaboration	Performance

Our behaviours		
Listen	Focus	Keep my promises

Customer-focused growth strategy

Global leverage

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.

Read more on page 19

Distinctive offerings

Co-create high-value differentiated solutions for our customers in experimentation, test, training, information, engineering and autonomous systems.

Read more on page 20

Disruptive innovation

Invest in and apply disruptive business models, digitisation and advanced technologies to enable our customers' operational mission at pace.

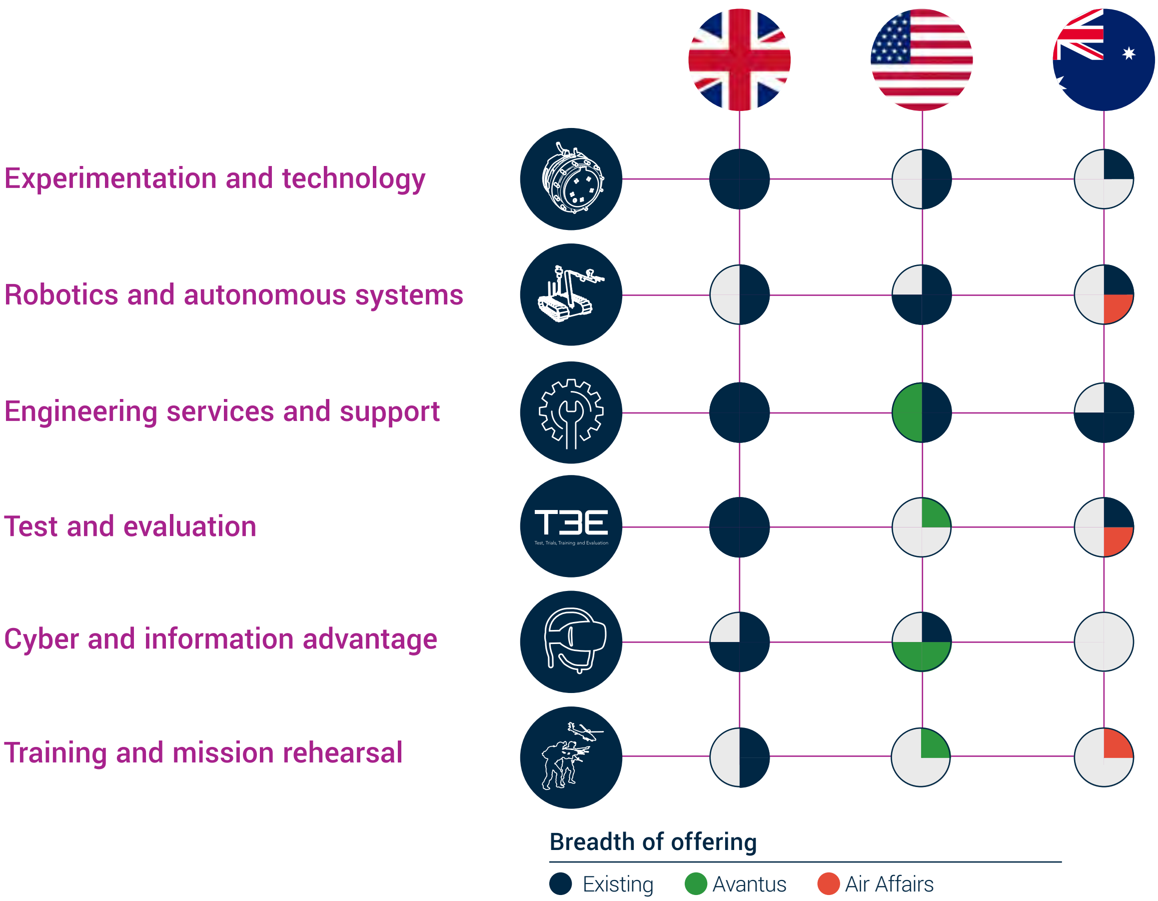
Read more on page 21

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

Strategic progress FY23

Creating a global leader in mission-led innovation

We are investing in the breadth and depth of our six distinctive offerings across three home markets.



Two strategically significant acquisitions in FY23 have increased our capability in the US and Australia

Avantus Federal

c.$300m revenue and 1,150 people
- Market-leading cyber, data analytics and software development solutions
- Extends customer base in the US and builds capability in defence and intelligence markets

Air Affairs

c.A$45m revenue and 180 people
- Market leader in air threat representation and aerial target services
- Broadened the capability in Australia into Training and Mission Rehearsal and Test and Evaluation

STRATEGIC PILLAR #01: GLOBAL LEVERAGE

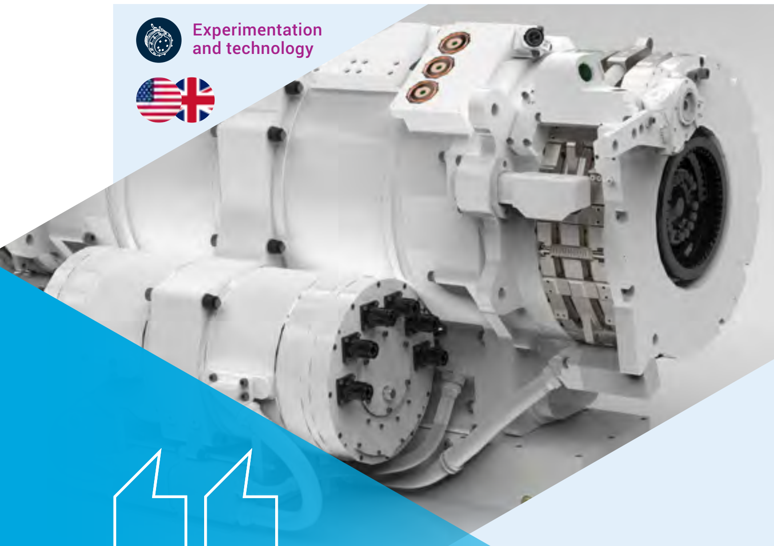
Build an integrated global defence and security company

Leverage our capability through single routes to market in our home countries.

FY23 highlights

- During the last year QinetiQ Target Systems Limited (QTS) has continued to make excellent progress developing its presence in the US market. This has included progress with the introduction of the MQM-185B / Jet 80+ target for the US Army (TSMO) which should enter service early in the new financial year and the adaptation of Rattler for use in High Energy Laser Measurement applications. Significant further growth is expected on the back of these contracts.
- QTS also provided targets for the Mjolner exercise at the Andoya Range in Norway. This is a multinational navy exercise and a large number of Jet80+ and Whirlwind and Sprite 2 targets were provided with complex profiles. The safe and effective execution of the exercise required significant planning, working with the customer.
- Under the AUKUS Pillar 1 framework, QinetiQ staff in Australia collaborated with experts in the UK to conduct studies in support of the Nuclear Powered Submarine Task Force. We leveraged deep technical expertise in Platform Design and Life Support from the team at Haslar to support the multi-agency task force in examining the requirements that underpin nuclear stewardship.

Experimentation and technology



“We see this project as the start of a much wider opportunity for the US Army to experiment with the hybrid electric drive across its fleet.”

Mike Sewart
Chief Technology Officer

CASE STUDY

E-X Drive on Bradley Fighting Vehicle

We have successfully completed trials of our electric drive technology on the Bradley fighting vehicle, leveraging our capability from the UK, and positioning us for a key role within the US Army’s Optionally Manned Fighting Vehicle (OMFV) program of record.

With the renewed focus on peer level competition and large-scale combat operations, the US Army’s imperative to modernise their armoured combat vehicle fleet is at a critical juncture. The Optionally Manned Fighting Vehicle (OMFV) program is the core thrust of the Next Generation Combat Vehicle (NGCV) Cross Functional Team and the fourth initiative targeting to replace the 40-year-old Bradley Fighting Vehicle.

The OMFV program’s focus on advanced system infrastructure to enable ongoing platform upgrades, aligns with QinetiQ’s forward-looking technology strategy. As a market leader in modular open architecture Robotics and Autonomous Systems (RAS), Command, Control, Computers, Communications, Cyber, Intelligence, Surveillance and Reconnaissance (C5ISR), Platform Electrification and Hybrid Electric Systems, and system integration, QinetiQ is well positioned to be a critical capability provider to the OMFV program.

Strategic progress FY23 continued

STRATEGIC PILLAR #02: DISTINCTIVE OFFERINGS

Co-create high-value solutions

Co-create distinctive products and services to offer exceptional value for our customers in engineering, experimentation, test, training, information and autonomous systems.

FY23 highlights

- We have commenced full-rate production in the US of over 1,200 small advanced robots with a multi-year delivery schedule for the US Army. The Common Robotic System Individual contract is the largest US Government Program of Record in robotics, giving us a strong platform for growth.
- The maximum altitude of the Jet80+ unmanned aerial target has been increased to 10,000m. This provides a unique capability for a target in this performance / price range and provides excellent value for money for customers wishing to conduct higher altitude missile firings. In addition, a new high-manoeuvrability capability has been released to production offering increased manoeuvres over 4g.
- The UK MOD has signed an £80m, 10-year industry partnership, with QinetiQ-led Team Pegasus enhancing the UK's ability to provide its military platforms and systems with the data needed to keep them safe and effective. This partnership will create 70 new jobs in the UK and upskill over 200 of our personnel in the latest technology and data analysis techniques. Not only does this further enhance our future capabilities and resilience, but it allows us to continue providing our military platforms and systems with the data needed to keep them safe and effective.
- In the US we have won a $75m three-year Systems Engineering and Technical Assistance (SETA) contract to support the Space Development Agency with Capability Acquisition of Low Earth Orbit (LEO) satellite launch and constellation management to demonstrate Beyond Line of Sight (BLOS) targeting and advanced missile detection and tracking.

Experimentation and technology

CASE STUDY

Successful test of new laser defence capability

The MOD's Defence Science and Technology Laboratory (Dstl) has hosted the UK's first high-powered, long-range laser-directed energy weapon (LDEW) trial on its ranges at Porton Down.

The trials involved firing the UK DragonFire demonstrator at targets over a number of ranges, demanding pinpoint accuracy from the beam director. Our technology offers a scalable, highly controllable construct for UK High Energy Laser Weapon development that can complement and supplement conventional defensive weapon capabilities. These LDEW technologies are applicable to maritime, land and air domains.

QinetiQ's First Generation LDEW technology has been tested over many hundreds of high-power firings, including against targets at range, demonstrating the performance advantages the technology offers. In early autumn 2022, as part of the DragonFire consortium, QinetiQ demonstrated a Laser Directed Energy Weapon Capability Demonstrator in a series of complex live firing trials at Porton Down. Working closely with Dstl and MOD WECA, our expertise in trials conduct and safety as well as the technology itself assisted the MOD in generating important evidence as it considered and endorsed the next stage of LDEW capability development.

"This trial is the culmination of design development and demonstration activity over a number of years."

Ben Maddison
Dstl Technical Partner

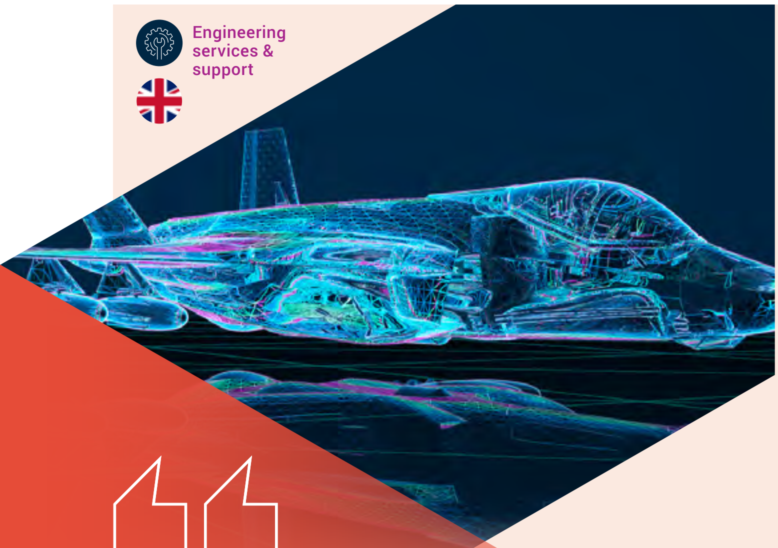
STRATEGIC PILLAR #03: DISRUPTIVE INNOVATION

Innovation to support delivery of our customers' mission at pace

Invest in and apply disruptive business models, digitisation and advanced technologies to enable our customers' operational missions at pace.

FY23 highlights

- QinetiQ has won a £6m, four-year contract to support the Royal Navy's future high-performance Unmanned Aerial Systems (UAS) operations. The Company will provide its experimentation expertise and its Banshee Jet80+ targets to help Royal Navy Aircraft Carriers train for real-world scenarios. The Vampire Phase 1 contract will enable the Royal Navy to test and evaluate the capability of small fixed wing, jet-powered uncrewed systems to support Carrier Aviation.
- Our large long-term contracts and frameworks in the UK are supporting significant and continued revenue growth for EMEA Services. The Engineering Delivery partner (EDP) framework continues to deliver for our customer, alongside our partners Atkins and BMT, with full year orders of circa £400m and c.£325m revenue, respectively. The Serapis framework is driving good growth in our UK Intelligence Sector, for research and development of command and control systems, communications and networks, and training and simulation projects. The Long Term Partnering Agreement (LTPA) remains our largest contract delivering world-leading test, trials, training and evaluation (T3E) for the UK MOD.
- In support of Federal law enforcement analysts' need to flag potential threats against the US court system, QinetiQ's data science and application development team created and deployed an AI-powered web application called BADACT, which automates web scraping, text processing, video transcription, and language translation. Most importantly, the tool performs language translation and semantic analysis to identify threats against protected individuals.



"The Aurora Engineering Delivery Partnership with the UK MOD and DE&S continues to go from strength to strength, providing technical support to the most complex acquisition programmes."

Nic Anderson - Chief Executive UK Defence

CASE STUDY

Support to UK MOD for the Future Combat Air System (FCAS) programme

QinetiQ has been awarded a £32m three-year contract through the Engineering Delivery Partner (EDP) framework to provide programme and technical support to the new Catalyst Delivery Team, responsible for introducing new capability to the MOD air domain for various front line commands. This demonstrates our Engineering Services and Support offering in practice, in the introduction of new technologies and delivery approaches for the next generation of aircraft test and evaluation.

QinetiQ will provide a range of support to Catalyst, using its digital engineering capabilities and vast experience in requirements management. This will include engineering support initially focusing on Human Performance, Safety and Systems Engineering disciplines through to August 2025. As the Catalyst programme grows, EDP provides a strong platform to support emerging requirements for years to come.

Stakeholder focus

Customers

Achieving operational advantage over an adversary requires timely and reliable intelligence, alongside the strategic application of capability and resources, to mitigate threats and project power at range to deter malicious actors.

Our six distinctive offerings are focused on addressing contemporary customer challenges such as:

Improving Situational Awareness
Tactical and strategic operational advantage relies on gaining superior situational awareness. This requires achieving increasingly fast and reliable decision making by establishing rapid sensing, data and information processing, secure communications across land, maritime, air, space and cyber domains and between allies.

Generating Affordable Combat Mass
Achieving operational advantage through increasing combat mass requires affordable low-cost technologies to be integrated and assured. This requires exploiting the capabilities of low-cost military and dual-use technologies, through research, development, experimentation, integration and assurance.

Countering Existing, New and Emerging Threats
Operational advantage depends on preventing adversaries from disrupting, disabling, denying, deceiving and/or destroying platforms, systems and infrastructure. This requires an understanding of how new technologies impact the threat landscape, an evaluation of how platforms, systems and infrastructure perform against physically and/or digitally represented threats and the development of survivability and lethality solutions to counter them.

Tackling the Impact of Climate Change
Climate change needs to be urgently mitigated through reducing emissions, and defence forces have to adapt to respond to threats climate change is posing to current and future operations, capabilities and equipment. This requires an understanding of how the environment will affect operations and warfighting, and needs new solutions to deliver both environmental sustainability and operational advantage.

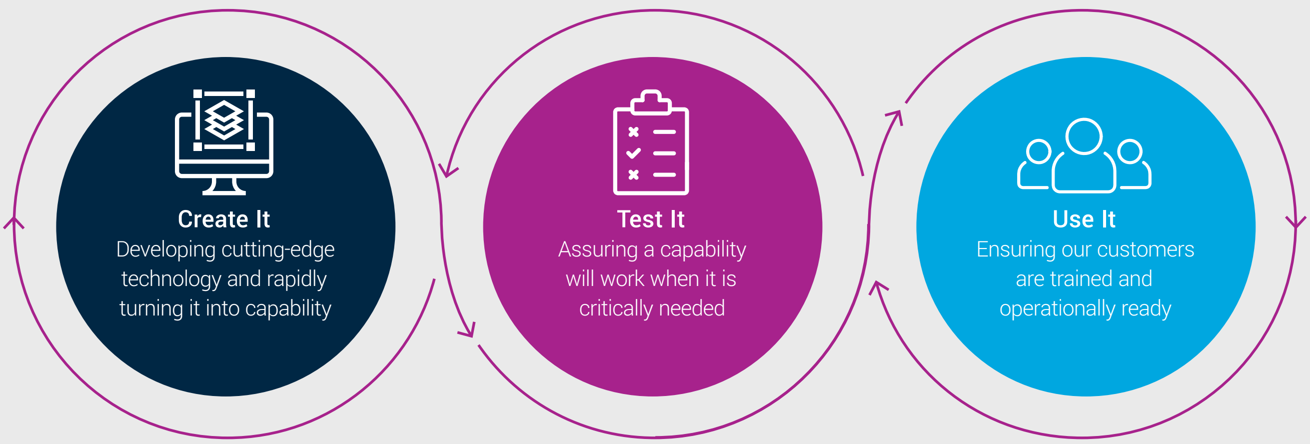
Improving Mission Planning and Preparation
Rehearsing in realistic scenarios and environments enables forces to prepare and respond quickly and decisively to emerging threats. This requires an innovative approach to improving individual and collective training by adopting new technologies and approaches to increase mission effectiveness.

Faced with these challenges our customers seek:
Innovation – to experiment with and exploit new technologies for operational advantage
Assurance – of safe and secure platforms and systems for operational resilience
Risk and cost reduction – in the development and operation of platforms and systems

To deliver operational advantage for our customers, we must remain at the cutting edge of technology and create innovative solutions at pace. Our focus is on delivering mission-led innovation where we co-create with customers and partners to deliver cost-effective solutions through our six distinctive offerings.

Our employees' deep domain knowledge and expertise enable us to understand and represent threats across all domains. We apply our unique technical expertise across the product lifecycle, helping our customers to create, test and use defence and security capabilities.

Delivering for our customers



CASE STUDY

Sharpshooter Training Exercise

Sharpshooter is a UK Royal Navy exercise designed to train, test and evaluate the effectiveness of a warship's medium and close-range weapon systems and teams.

QinetiQ and Inzpire teams, working closely with the Royal Navy, support the design and delivery of fully immersive training to exercise in increasingly complex tactical situations to enable them to train as they would fight.

The customer recognises the value of these training, test and evaluation events to provide assurance and improve operational decision making.

> My team have come away from this exercise with their heads held high and hugely enthused about their ability."

Commander Tom Johnson
Royal Navy

Stakeholder focus continued

Our people

Our people are at the heart of delivering our strategy and are passionate about our customers.

Our people are critical to our success so it's important they feel valued for their contribution, working in an environment in which they can thrive. We have made a conscious choice to take a step change in our approach, rebalancing our focus on our people. This is helping us to make decisions and choices from an employee perspective, responding in a way that is appropriate and sustainable for the long term.

Listening to feedback, over the last year we have invested in our employee offering, specifically in the areas of Learning & Development and Reward & Recognition.

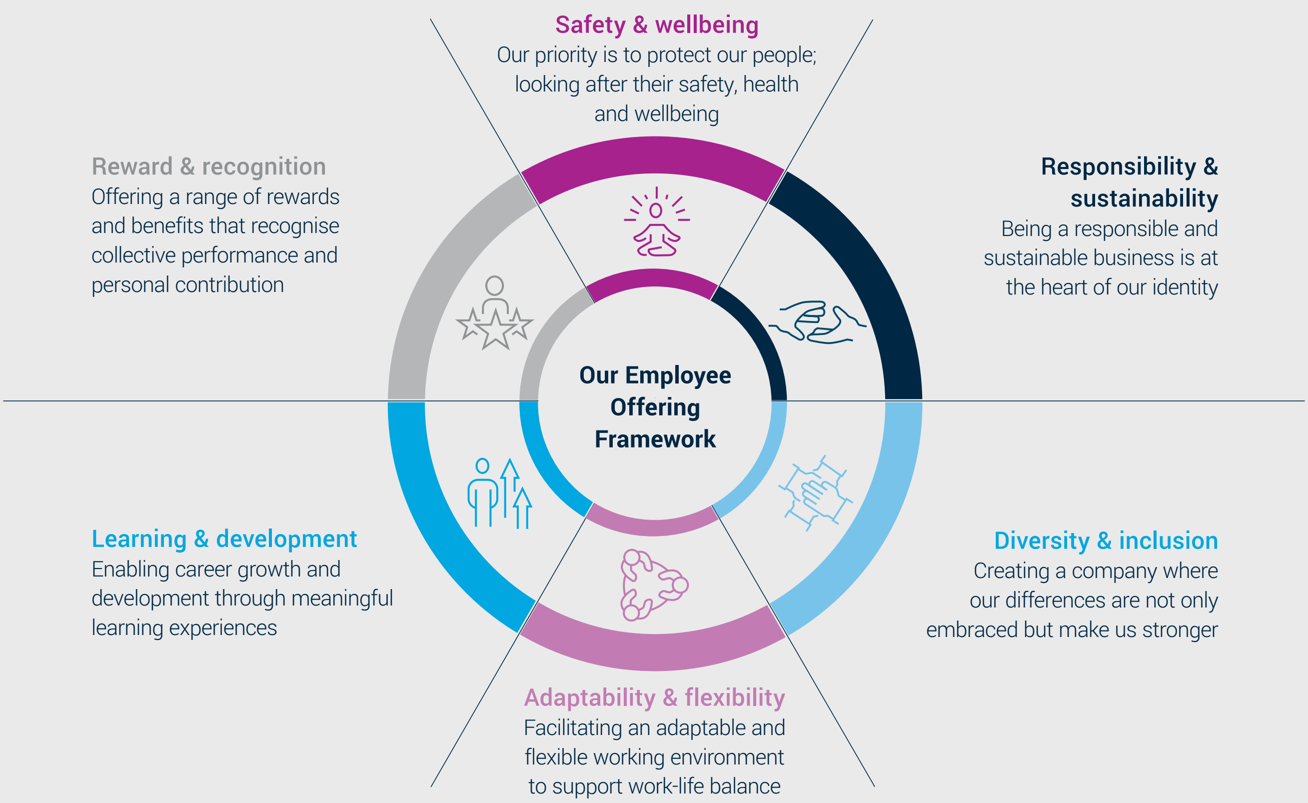
We have been thoughtful in our decisions, directing this investment to where it is needed most. Our efforts have been focused on supporting our colleagues on lower salaries by ensuring that pay increases are weighted more towards lower grades, and investing in benefits that make the most difference. We have also put support in place should anyone need urgent help through the QinetiQ Hardship Fund. In the areas where we need to be more competitive, we have made improvements, for instance, by expanding the Leadership Incentive Scheme, introducing the ability to earn an additional 2% of base salary on the All Employee Incentive Scheme, and we have introduced a Personal Development Fund in support of career development. From a wellbeing perspective, we are driving healthy habits and activities, for example, introducing the YuLife app in the UK.

We continue to invest in the next generation, by encouraging our people to take part in volunteering activities that promote careers in Science, Technology, Engineering and Maths (STEM) subjects and by expanding in our Early Careers Programmes. This year we have significantly increased the number of apprentices and graduates being recruited into our formal programmes in Australia and the UK ensuring that, once they join us, they have access to meaningful placements that help them learn and grow.

Our employee engagement has improved by 4.3% in FY23, with significant improvement shown in the Reward and Growth drivers. We continue to focus on our culture and employee offering recognising our People strategy needs to remain agile and relevant in all our markets, ensuring we are demonstrating the care for our people, and aiding retention and attraction of the very best leaders and employees.

See **page 67** for more details on our support for our people.

Our Employee Offering Framework



A number of confidential requests made to the Hardship Fund are challenging to read, but the feedback from those who have received help makes you realise the impact this initiative is having."

William Bowers UK Chair
Global Employee Voice.

We have been thoughtful in our decisions, directing the investment to where it is needed most."

Amanda Nelson
Chief People Officer

Stakeholder focus continued

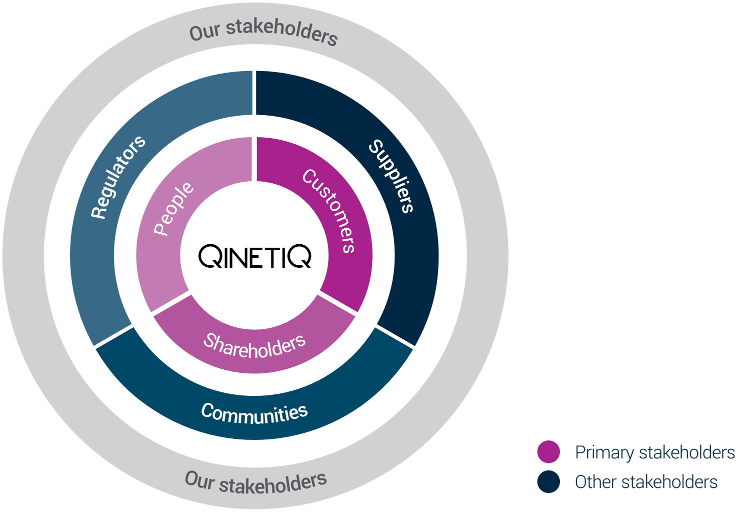
Our stakeholders

Our approach to engagement

In order to deliver responsibly and for the benefit of all stakeholders we must understand what matters to our stakeholders. To do this we engage in a variety of ways in an open and transparent manner, trying to identify common goals. In some cases the Board will engage directly with certain stakeholders, however in others the relevant delivery teams will manage this engagement. This is dependent on the stakeholder and issues considered, with engagement led by those best placed to effect any necessary change. We expect that our approach and how we engage with our stakeholders will continue evolving as we pursue further growth and geographic expansion for the benefit of all of our stakeholders.

For more information on our Section 172 Statement see **page 86**.

Primary stakeholders	How we engage
Customers Our customers are at the centre of our vision and the foundation of our success. We strive to apply our strengths to their advantage to deliver mission-led innovation, and invest time in understanding and responding to their needs.	Every QinetiQ customer has a delivery team continually engaging with them and adapting our approach to ensure their objectives are achieved. In addition, we regularly take the time to step back and listen and act upon our customers' views on our performance and relationships through our formal customer research systems.
People We are a people business and our employees are critical to our success. Their health, safety and wellbeing is vital and we are committed to providing fulfilling careers where our employees can perform meaningful and intellectually stimulating work.	Our methods of engagement include: quarterly Peakon surveys, Q-talks, global roadshows led by our CEO and local roadshows led by members of our QinetiQ Leadership Team, our Global Employee Voice Group (GEV) and other engagement forums (e.g. works councils), as well as indirectly through feedback on platforms such as Glassdoor.
Shareholders Our shareholders' 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.	We engaged with our shareholders during the year through both physical and virtual roadshows, results presentations and the AGM. In addition, our Chair proactively engaged with shareholders to seek their views on the business, strategy, and management team. Additionally, our Remuneration committee chair engaged with our largest shareholders on remuneration policy. We seek to keep an open dialogue with our shareholders.
Other stakeholders	
Suppliers We occupy a unique position in defence, working in partnership with various suppliers to deliver the best solutions for our customers. We strive to adopt a collaborative approach and ensure we treat our suppliers with integrity, taking a fair and sustainable approach.	We actively engage with our supply chain and hold strategic relationships at appropriate levels across organisations. We engage with our suppliers through a variety of means including our QinetiQ Collaborate events. We actively seek engagement across the supply base with the aim of bringing down barriers for both those suppliers already in the defence sector and those in adjacent or emerging sectors.
Communities We strive to be a good neighbour, to have a positive impact on our local communities and wider society; from our outreach programme, inspiring the next generation of scientists and engineers, to providing services that ensure the safety and security of members of society, and our Net-Zero Greenhouse Gas emissions plan.	We engage via a variety of community investment activities such as outreach, volunteering, supporting local charities and community liaison.
Regulators Various aspects of our business involve oversight from regulators. We engage with regulators to understand changing regulations, ensuring we can meet these requirements.	We engage with regulators via meetings, audits and reports.



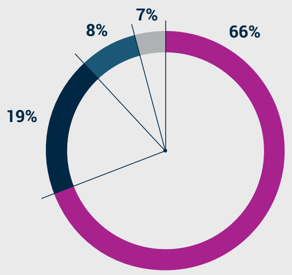
Impact of engagement	How we create value
Our delivery teams continually adapt our approach to ensure customers' needs are met. The formal feedback we receive is reviewed at all levels of our organisation to ensure we continuously improve and evolve our business processes and delivery solutions.	We deliver mission-critical solutions to our customers helping them to address their most pressing challenges. They benefit from a responsive and agile approach, the ability to innovate at pace and value for money.
Our engagement has helped us to identify priority focus areas to improve the employee experience. By listening to our people through our Peakon surveys we have directed our efforts to enhance those areas highlighted, including ways of working, safety, digital improvements and concerns about the cost of living.	Our employees work in an environment where the work they do makes a genuine difference to our customers and their safety. They have rewarding careers in highly skilled areas and are able to satisfy their intellectual curiosities.
We have sought to keep the financial markets and our shareholders up-to-date with progress on the issues throughout the year; shareholder feedback and comments on operational direction, returns and acquisitions has helped shape our strategic thinking and decision-making.	Our business model, supported by our strategy, aims to deliver sustainable long-term growth and returns to our shareholders.
This engagement continues to ensure we are partnering effectively to support our customers. It gives us insight into industry developments and ensures effective collaboration between QinetiQ, its partners and suppliers.	Working with our suppliers we bring together complementary industry-leading thinking in a truly collaborative environment to the benefit of the customers, QinetiQ and our suppliers.
Our community investment activity is viewed positively. Through our community liaison, our regular updates have ensured local people are aware of our activity. Our outreach activity has provided benefit to young people.	We aim to benefit the wider socio-economic wellbeing of the communities where we operate. We offer time for volunteering, and one of the main ways we support our local communities is through STEM (science, technology, engineering and maths) outreach with young people, raising aspirations and providing signposting to rewarding careers.
Through engagement we are able to ensure we continue to meet the high standards expected by regulators.	We take an active role in the defence industry, with our customers, peers and partners alike. For example, our Chief Executive has been recently reappointed as Industry Co-Chair of the Defence Growth Partnership (DGP).

Trading environment

Our >£30bn addressable market

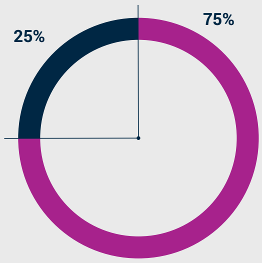
The UK, the US and Australia are our home countries and collectively represent 93% of our revenue.

Revenue by customer location



UK	£1,045.7m
US	£301.0m
Australia	£124.1m
Rest of world	£109.9m

Revenue by division



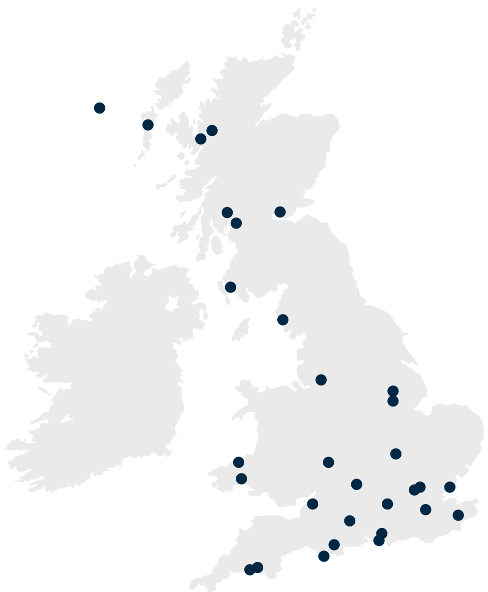
EMEA Services	£1,179.3m
Global Products	£401.4m

UK

QinetiQ's heritage stems from formerly being part of the UK MOD, who we now work with closely as our largest customer. Our capabilities are centred around customer advice and service provision across research and development, engineering advice, test and evaluation, training and mission rehearsal, cyber security and data.

5,672
employees

32
sites

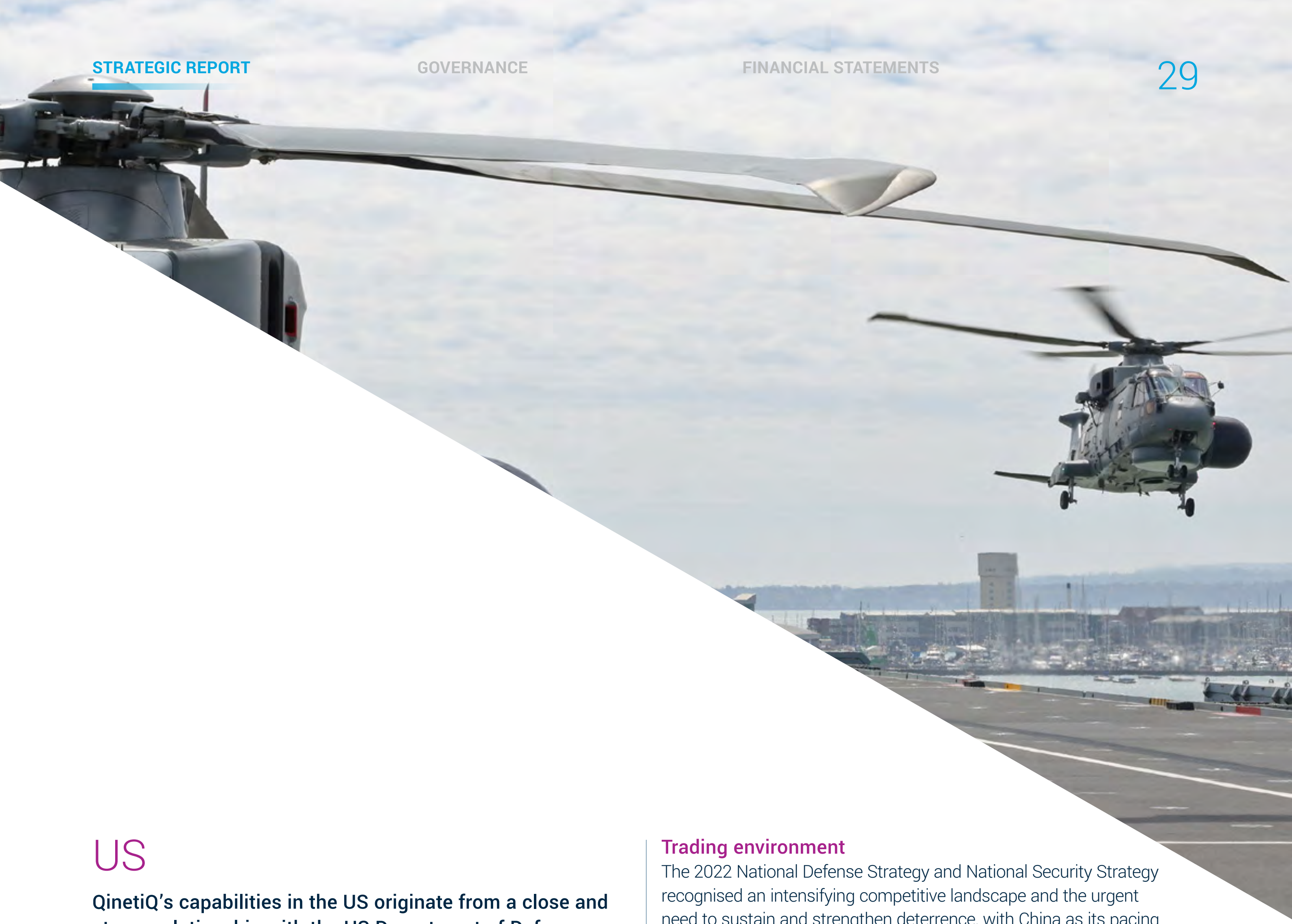


Trading environment

The 2023 Integrated Review Refresh (IRR) recognised the urgent and immediate pressures brought about by the deteriorating security situation. In the Spring 2023 budget statement, the government announced that the UK defence budget would be increased by £11bn over the next five years in response to these growing threats. The IRR emphasised that strategic advantage in science and technology is a core national priority. As announced in 2021, the UK MOD is also investing over £6.6bn in research and development to develop next-generation and emerging technologies in areas such as cyber, space, directed-energy weapons, and advanced high-speed missiles.

As the UK seeks to develop and deploy next-generation capabilities faster than their adversaries, we are well-positioned to support them in applying mission-led innovation to achieve this. Our unrivalled expertise in Research & Development and Test & Evaluation combined with our recent investment to modernise UK test ranges will help our customers generate and assure new and emerging technologies at pace. Delivering value for money remains critical to our customers and we will continue to utilise innovative delivery models to support our customers in achieving this.

1 Janes Defence Market Budget Forecast March 2023, UK MOD and US DOD spending data, Australian Defence Publications and QinetiQ estimates.

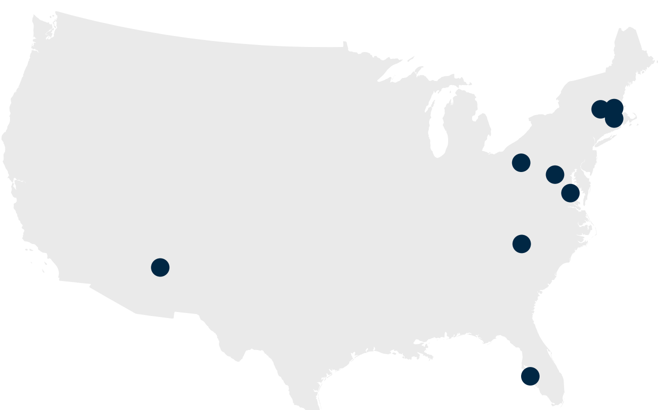


US

QinetiQ's capabilities in the US originate from a close and strong relationship with the US Department of Defense, as the most significant provider of small robots, combined with our acquired capabilities on autonomy and sensing. This capability has been significantly enhanced with the acquisition of Avantus Federal, a market-leading cyber, data analytics and software development solutions business, adding over 1,000 people.

1,574
employees

14
sites

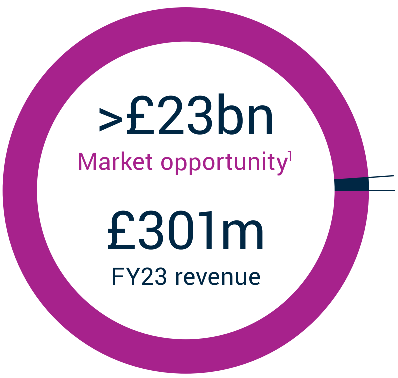


Trading environment

The 2022 National Defense Strategy and National Security Strategy recognised an intensifying competitive landscape and the urgent need to sustain and strengthen deterrence, with China as its pacing challenge. The 2024 Department of Defense Budget Request builds on the principles of National Security Strategy and has grown by nearly $100bn (13%) to $842bn since 2022. As part of this, the FY24 research development test and evaluation budget request is the largest ever at $145bn. This represents an increase of $26bn (22%) since FY22.

Investment in critical technology areas aimed at strengthening technological advantage include: directed energy, hypersonics and integrated sensing and cyber.

In the US, we are a market leader in robotics, autonomy and advanced sensing solutions, an area of budget growth, delivering value to our customers through the rapid development and deployment of disruptive solutions. With the acquisition of Avantus we are also a leading cyber, data analytics and software development provider. There is a growing need to provide actionable intelligence into war-fighters' hands quicker, and a push to develop and integrate multiple autonomous and semi-autonomous systems as the US seeks to invest in next-generation technologies to maintain a technological advantage.



Trading environment continued

Australia

QinetiQ has had a strong relationship with the Australian Department of Defence for many years, providing advice, engineering and design solutions, as well as expanding into test and evaluation services, robotics and autonomous systems. The acquisition of Air Affairs, a market leader in air threat representation and aerial target services, has broadened our capability and added over 150 people.

823
employees

9
sites

Trading environment

The 2023 Defence Strategic Review addresses the prospect of major conflict in the Indo-Pacific that directly threatens Australia's national interest. It frames the priority of investment in Defence capability and posture to meet Australia's security challenges through to 2032-33. In the 2023 Budget, Defence spending will increase by 7% to AUD$52.6 bn in 2023-24.

The Australian government reinforced its commitment to delivering on the recommendations of the Defence Strategic Review, with plans to commence the work to deliver Australia's nuclear-powered submarine program. Defence spending as a proportion of GDP will lift above its current trajectory to be 0.2 per cent higher by 2032-33. As part of this, the Government announced it would invest more than AUD$19bn to implement the immediate priorities identified in response to the Defence Strategic Review, namely:

- AUD$9bn for the nuclear-powered submarine programme through AUKUS;
- AUD$4.1bn for long-range strike capabilities;
- AUD$3.8bn for northern base infrastructure and;
- AUD$900m on defence innovation, to establish the Advanced Strategic Capabilities Accelerator and through AUKUS Pillar 2.

We see many opportunities to support the Australian forces in modernising sovereign defence capabilities, leveraging expertise from across QinetiQ.

Rest of the world

Germany

In Germany, we are a trusted provider of airborne special mission operations, technical solutions and airborne training to defence and security customers.

121
employees

3
sites

Canada

Canada is home to a branch of QinetiQ Target Systems – a world-leading provider of unmanned air, land and surface targets for live-fire training and weapon system test and evaluation.

71
employees

2
sites

Trading environment

The strategic landscape has undergone a seismic shift following Russia's invasion of Ukraine in February 2022. This has provoked NATO to increase its defence capabilities and readiness to respond, adding to the pressure for the NATO member countries to increase their defence spending of at least 2% of GDP. Following the announcement of Germany to increase defence spending by €100bn over the next five years, many other NATO and European countries are also increasing their defence and security investment.

While priority and investment focus will be attached to the prosecution of our three home country strategies (UK, US and Australia), we will continue to conduct business in the support of allies in 5-Eyes, NATO and Continental Europe.

Trading environment continued

Themes driving market growth

The long-term 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; the rise of extremism in Africa; and ongoing tensions and conflict in the Middle East.

In parallel, rapidly emerging and evolving technologies continue to disrupt traditional business and society with both positive and negative outcomes as well as creating unprecedented vulnerabilities.

To meet these increasing challenges, the UK, US and Australia have reviewed their strategic defence and security capabilities and investment priorities as well as their allied activities.

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 which undermine western superiority. In parallel to traditional threats, digital-based threats continue to grow in sophistication, and are often deployed in conjunction with more conventional threat forms.

The proliferation of grey-zone warfare

Grey-zone activity has increased significantly in recent years as the supremacy of western forces has driven adversaries to adopt new tactics. Grey-zone tactics often include acts, which would not typically provoke a conventional military response, but nevertheless undermine defence and security, as well as economic and political stability. Typical threats in this space include cyber-attacks aimed at compromising critical national infrastructure, disinformation campaigns and political meddling. Key challenges for our customers include improving cyber resilience, improving threat detection and adapting at pace.

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 create true capabilities. 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 and breadth and depth of capability to respond to the changing and complex customer requirements. This is a critical part of maintaining capability that can function without undue reliance on international trade and expertise or raw materials from potentially hostile states.

How are we evolving to these new 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 the systems and platforms used to respond to these threats, to provide assurance. We have invested heavily in contracts such as the LTPA to ensure we are able to generate and assure future capabilities and will continue to apply disruptive innovation to create relevant capabilities and offerings.

Delivering value for money through innovative delivery models

Governments around the world face significant fiscal pressure, with high budget deficits and growing debt levels exacerbated by the impact of higher inflation. Against this backdrop nations have a growing number of threats to defend against and must wrestle with modernising traditional defence capabilities, while also developing future digitally enabled technologies. This means defence budgets must deliver value for money. We act as a strategic partner to our customers, understanding their challenges and applying our technical expertise to provide innovative solutions. We believe by focusing on our customers' needs and helping them realise cost efficiencies we can create opportunities for growth.

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 more 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 rapidly convert emerging technologies into assured deployable capability. We collaborate across the supply chain, but also form novel 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 strategy is a multi-domestic strategy aimed at developing sovereign defence capabilities within the countries in which we operate. The focus for growth is in our three home countries, the UK, the US and Australia, where we are pursuing similar opportunities to support their shared defence and security mission. 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 UK and more than double our Australian 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.”

Operating review

How we are structured

QinetiQ has simplified its organisational structure, reducing the number of divisions, and created a new Australian Sector.

The creation of the new Australia Sector, which replaces what was previously the International Sector, is a further demonstration of QinetiQ's commitment and investment in the region and is evidence of our ambition to build an integrated global defence and security company focused around our six distinctive offerings and three home countries of the UK, the US and Australia. The Australia Sector becomes QinetiQ's global hub for threat representation, including recently acquired Air Affairs, Target Systems (in the UK and Canada) and also includes our German air threat representation and training business. QinetiQ's four Sectors are now Australia, UK Defence, UK Intelligence and the US and together the Company is well-placed to support the goals of AUKUS.

EMEA Services

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.

£1,179m

Revenue

Included here is our Australian, Canadian and German operations that were previously included under International. In Australia we provide advice, products, test and evaluation in the core Australia business, and airborne training and mission rehearsal services in the newly acquired QinetiQ Air Affairs. In Germany we provide airborne training and mission operations.

£132m

FY23 revenue

Delivers operational advantage to customers by providing independent research, evaluation and training services. De-risks complex aerospace programmes by testing systems and equipment, evaluating the risks and assuring safety.

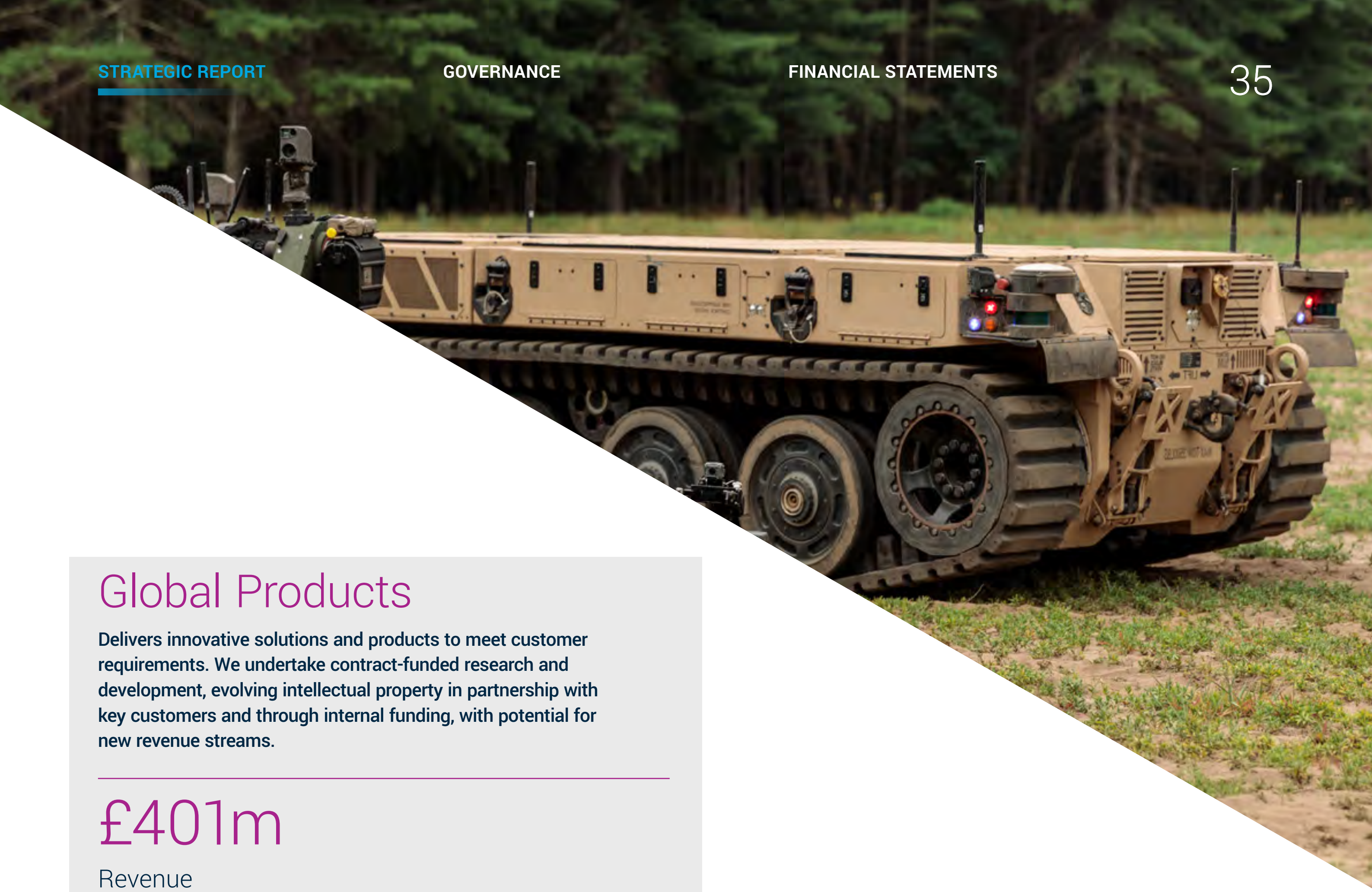
£688m

FY23 revenue

Helps customers respond to evolving threats based on our expertise in cyber security, secure communication networks and devices, intelligence gathering and training.

£359m

FY23 revenue



Global Products

Delivers innovative solutions and products to meet customer requirements. We undertake contract-funded research and development, evolving intellectual property in partnership with key customers and through internal funding, with potential for new revenue streams.

£401m

Revenue

Provides research services and bespoke technological solutions developed from intellectual property spun off from EMEA Services. The products and intellectual property are typically specialist defence and security solutions, including secure-communication devices, cyber products and electrification upgrades to military equipment. Included in EMEA Products is QinetiQ Target Systems – a world-leading provider of unmanned air, land and surface targets for live-fire training and weapon system test and evaluation.

£103m

FY23 revenue

Develops and manufactures innovative defence products specialising in robotics, autonomy and sensing solutions. Avantus Federal offers market-leading cyber, data analytics and software development solutions.

£298m

FY23 revenue

Operating review continued

EMEA Services

Overview

EMEA (Europe, Middle East and Australasia) Services combines world-leading expertise with unique facilities to provide capability generation and assurance, underpinned by long-term contracts that provide good visibility of revenue and cash flows.

Financial performance

	FY23 £m	FY22 £m
Orders	1,372.2	918.9
Revenue	1,179.3	1,059.2
Underlying operating profit	137.1	135.6
Underlying operating margin	11.6%	12.8%
Book to bill ratio[1]	1.4x	1.1x
Total funded order backlog	2,768.8	2,541.6

1 B2B ratio is orders won divided by revenue recognised, excluding the LTPA non-tasking services revenue of £225m (FY22 £222m).

Financial performance

Orders for the year increased by 49% to £1,372.2m (FY22: £918.9m), driven by a £260m MSCA contract in the UK, for the delivery of critical sovereign capabilities to the UK and continued growth in orders through the EDP framework, totalling £404m orders in year.

Revenue increased by 11% to £1,179.3m (FY22: £1,059.2m), and grew by 10% on an organic basis, as a result of new work under the EDP framework and under the Major Service Provider (MSP) contract in Australia.

At the beginning of FY24, we had £0.8bn of EMEA Services' FY24 revenue under contract, compared to £0.7bn (of the FY23 revenue) at the same point last year. This increase is driven by the 49% orders growth in the year.

Underlying operating profit grew by 1% to £137.1m (FY22: £135.6m). Operating margin decreased to 11.6% reflecting the investment in our people in response to the cost of living crisis.

Approximately 64% of EMEA Services revenue is derived from single source contracts, including the LTPA (FY22: approximately 67%). 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.

Global Products

Financial performance

	FY23 £m	FY22 £m
Orders	351.9	307.7
Revenue	401.4	261.2
Underlying operating profit	41.8	1.8
Underlying operating margin	10.4%	0.7%
Book to bill ratio[1]	0.9x	1.2x
Total funded order backlog	301.5	287.2

1 B2B ratio is orders won divided by revenue recognised.

Financial performance

Orders increased by 14% to £351.9m (FY22: £307.7m). This was driven by a good order intake in the US and the effect of the complex project write-down in the prior year.

Revenue was up 54% on a reported basis at £401.4m (FY22: £261.2m), due to strong US growth following prior year supply-chain challenges on the initial production ramp-up of CRS-I robots. Furthermore there was an increase in revenue from the acquisition of Avantus of £83.0m offset partially by the disposal of Space NV. Excluding the impact of this acquisition and foreign exchange, revenue was up 20% (£48.9m) on an organic basis.

At the beginning of FY24, we had £0.3bn of Global Products' FY24 revenue under contract, compared to £0.2bn (of the FY23 revenue) at the same point last year. This increase is driven by the significant orders growth in year plus the contribution from the Avantus acquisition.

Underlying operating profit increased to £41.8m (FY22: £1.8m), with an underlying operating profit margin of 10.4% (FY22: 0.7%). This was driven by strong performance in both the US and within QinetiQ Target Systems, and the acquisition of Avantus. FY22 operating profit included the £14.5m write-down on the complex project.

Overview

Global Products delivers innovative solutions to meet customer requirements. The division is technology-based and has shorter order cycles than EMEA Services. Our strategy is to expand the product portfolio and win larger, longer-term programmes to improve the consistency of the financial performance of this division.

Operating review continued

Australia

The creation of the new Australia Sector is a further demonstration of QinetiQ's commitment and investment in Australia.

Overview
Our Australia Sector provides advisory services, engineering services and training and mission rehearsal in the Australian, German and Canadian markets.

QinetiQ Australia
The Australian business has continued to deliver impressive growth in the year with a significant improvement in revenue coming from the Advisory Services business. Notably, the business has responded successfully to an increase in delivering to operations and exercises as the customer uplifts activity in response to geo-political challenges. An increase in deployments and training events has seen a positive impact on the engineering, technical and advisory services contracts.

In December 2022 we completed the acquisition of Air Affairs (Australia) Pty Ltd for A$53m. Air Affairs is an Australian defence services company – a leader in air threat representation, Test and Evaluation (T&E), unmanned targets and mission rehearsal. Air Affairs provides targets and training services, and electronic warfare capabilities to the Australian Defence Force, as well as aerial surveillance and reconnaissance in support of government firefighting efforts. It owns and operates a fleet of special mission aircraft and maintains an advanced manufacturing and engineering facility providing design, manufacture and certification operations. Air Affairs employs c.180 people, headquartered in Nowra, New South Wales.

Integration of Air Affairs is progressing to plan and the business is performing well, including securing the next phase of airborne training services for the Australian Defence Force. As demand for threat representation increases across all our home countries, we are focused on leveraging our airborne training and target capabilities across QTS, GmbH and Air Affairs to pursue new customer opportunities. A recent example is the successful sale of our Banshee target into the US Army's Threat Systems Management Office.

The engineering services facility in South Melbourne (named "QTech") is now open and will be a cornerstone facility for further growth through the Robotics and Autonomous Systems and the Test and Evaluation Campaigns. Additionally, the inaugural Test and Evaluation Sovereign Skills Programme has commenced with the 2023 cohort in the United Kingdom undertaking T&E training already.

QinetiQ Target Systems (QTS)
QTS continues to make positive progress with customers resuming trials and exercises. In response to increased customer demand for live environment target simulations, QTS has successfully delivered a significant improvement in production throughput which has been positively received by our UK MOD customer and has delivered positive growth.

QTS has responded with agility to customer requirements including the delivery of a Dutch and German training exercise led by the Royal Netherlands Army where QTS provided products and services to support a bi-national Tactical Firing event with Germany at the NATO Missile Firing Installation on Crete. QTS has also made good progress in the United States with the integration of the Army Ground Aerial Target Control System and our QTS targets. This represents a major milestone, more than six years in the making, in US market penetration.

Following the successful demonstration of Banshee Jet80+ from the deck of the Royal Navy's HMS Prince of Wales aircraft carrier late last year, QTS has recently won a contract that enables the test and evaluation of the capability of small fixed wing, jet-powered uncrewed systems to support Carrier Aviation.

We continue to experience strong demand for QTS products and services arising from an increased demand from many of our global customers which has resulted in March 2023 being the biggest production month to date with over 100 aerial and surface targets delivered.

QinetiQ Germany GmbH
In Germany, we have continued to invest in the business with a strategic uplift in fleet composition with a number of aircraft added to the fleet. The fleet has seen further improvement with modifications to target towing and cameras resulting in increased capability and capacity. In the year, the business delivered more flying hours than in any previous contract year. These successes continue to mature our flexibility and credibility in our Air Services growth plans. In response to the ongoing and increased customer demand for live environment target simulations, the German business has proactively responded with precision and professionalism to an increased tempo, by delivering an increase of 50% in aerial target service tasks in the last two years. The Government's commitment to increased defence spending supports a positive view of business growth into the future.

UK Defence

The UK Defence Sector is focused on protecting lives and securing the vital interests of our Air, Maritime & Land customers.

Overview

The UK Defence Sector delivers mission critical solutions, innovating for our Air, Maritime and Land customers' advantage. This Sector represents the previously reported Air and Space, and Maritime and Land business units. Its formation provides a sharper focus on our strategy of maximising growth through our framework contracts, building new core offerings through our global campaigns and exploring new growth opportunities. The new Sector improves coherence of our distinctive offerings across our customer base, with the embedding of enabling functions bringing greater cohesion to operational strategy execution for business performance excellence.

Maritime

We have secured a £260m contract with the Submarine Delivery Agency for a further ten years of the Maritime Strategic Capability Arrangement (MSCA), which also includes an option for an additional five years. The MSCA delivers critical sovereign capabilities that contribute to the assurance of the UK's ability to design, build and safely operate the Royal Navy's surface and subsurface fleet, including the UK's continuous at sea deterrent.

LTPA

We have also seen a high level of usage of LTPA capabilities over the last 12 months supporting operational training needs and urgent capability requirements:

- We have completed our Air Range Modernisation investment programme, securing recognition by the Ministry of Defence (MOD) Sanctuary Awards for achievements in conservation and sustainability in relation to the renovation programme on St Kilda in the Outer Hebrides;
- Usage of LTPA capabilities by allies continues to increase and included the Atlantic Thunder 22 live-fire exercise. This involved the US Naval Forces Europe, US Air Forces Europe, the UK Royal Navy and UK Royal Air Force developing combined proficiency in tactics, targeting and live-firing against a surface target at sea;
- We continue to work in partnership with our customer to develop new approaches to test and evaluation increasing the adoption of modelling, synthetics and artificial intelligence (AI) techniques;
- Investment to pilot the transition to Net-Zero site operations has been secured and is underway.

EDP

The Engineering Delivery Partner (EDP) programme has now delivered over £1.3bn of orders since inception in October 2018, and our partnership continues to evolve in support of our customers' need to transform their approach to capability acquisition. Key achievements this year include:

- Securing the £32m contract to provide technical support to the UK MOD's Future Combat Air System (FCAS) Enterprise and the Defence Equipment & Support (DE&S) Catalyst delivery team, which is responsible for delivering the latest combat air capabilities to UK frontline commands;
- Increasing the EDP supplier network by c.25% and the volume of work delivered through them;
- Continuing to deliver over 97% of outputs on time and right first time;
- Embedding new services supporting the adoption of digital design technologies;
- Starting to provide Net-Zero engineering services (see **page 62**).

Science and Technology

Science and technology is a priority area where we continue to make progress primarily through contracting with Defence Science and Technology Laboratory (Dstl), but also through increasing international collaboration across the Group which provides a great platform to support the priorities of AUKUS:

- Delivering the UK's first high-powered, long-range laser-directed energy weapon (LDEW) trial at Dstl Porton Down in partnership with Leonardo and MBDA, demonstrating the capabilities of our phase-combined laser technology;
- Leading the Weapons Sector Research Framework with a focus on novel and hypersonic weapons, including an annual conference with over 300 representatives from across the MOD and industry;
- Developing our E-X Drive technology through our US Sector for the BAE Systems solution to the US Army's Optionally Manned Fighting Vehicle (OMFV) program;
- Supporting our Australian Sector to secure and deliver a higher energy laser development programme to their Australian Defence Science and Technology (DST) customer.

Mission Rehearsal

We continue to develop our mission rehearsal offerings through:

- Securing the second demonstration phase in partnership with BAE Systems for the Platform Enabled Training Capability (PETC) programme delivering multi-platform innovative synthetic training capability to the Royal Navy in support of the wider Defence Operational Training Capability (Maritime) (DOTC(M)) programme;
- Fielding a new threat representation training capability with the Royal Navy through securing the four-year Vampire Phase 1 contract to support the Royal Navy's future high-performance Unmanned Aerial Systems (UAS) operations;
- Delivering enhanced mission support through the Royal Navy Sharpshooter training exercise providing operationally realistic scenarios to train as they would fight with close-in weapon systems.

Operating review continued

UK Intelligence

The UK Intelligence Sector is a key industry partner to the UK Ministry of Defence (MOD), and continues to be well-placed to deliver critical digital change programmes.

Overview

The UK Intelligence Sector helps government and commercial customers respond to fast-evolving threats based on its expertise in training, secure communication networks and devices, intelligence gathering and surveillance sensors, and cyber security. Contained within UK Intelligence are three acquired businesses: QinetiQ Training and Simulation Limited (QTSL, formerly NSC), Inzpire and Naimuri. This Sector represents the previously reported Cyber and Information business unit.

Order highlights

We won 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. We formed and led a winning industrial partnership team that included Inzpire, SRC, CGI and an ecosystem of other expert SMEs. The team will contribute to the UK's export agenda by providing our allies with access to world-class mission data. In demonstrating our commitment to the Social Value Act, this programme includes a significant investment to create at least 70 highly skilled data science jobs in the Lincolnshire Area, and upskill customer personnel in advanced data analysis techniques and technology.

Through the SERAPIS framework contract, we have won a £5m 18 month research contract focused on helping the UK MOD solve one of its most enduring and significant capability challenges: pervasive, full spectrum, multi-domain ISR (intelligence, surveillance and reconnaissance). The aim is to use coherent real-time multi-modal sensing to find and identify difficult land targets on a complex battlefield.

The partnership with Defence Intelligence in the UK has continued to grow strongly with orders exceeding £100m in year. Using the EDP framework, combined with the rapid innovation it enables, we have pulled through expertise from across industry and led delivery of a wide portfolio which is helping Defence Intelligence to drive its transformation strategy.

Innovation

We won the Vivace contract with the Home Office in 2017 to deliver our Accelerated Capability Environment (ACE). ACE leverages a wide and diverse ecosystem of suppliers to drive innovation into the delivery of mission critical capability, it operates at high tempo greatly accelerating delivery of deployable capability. In the past year Vivace has extended its core team and under open competition was awarded the next phase in development of ACE through the Private Sector Partner contract.

We continue to deliver well on the Battlefield Tactical Communication and Information Systems (BATCIS) contract, winning the fifth year option contract award worth £35m. This is the public sector support programme for Defence Digital, delivering procurement and engineering expertise for this transformational digital backbone programme. With our partners ATOS, BMT and Roke we deliver specialist expertise across this complex set of projects (Trinity, Niobe, Morpheus, DSA etc.) covering a wide array of disciplines; developing concepts, engineering solutions, managing obsolescence issues, supporting critical operational requirements and enabling procurement competitions.

We have established the Training and Simulation Centre of Excellence at our Farnborough site combining expertise from the NSC acquisition with its extant training business unit (NSC now rebranded as QinetiQ Training and Simulation Limited: QTSL). This business area is growing strongly with recent key wins in the Land (Army Virtual Proving Ground), Maritime (T23 and T45 training simulation systems), and secure Cyber domains coupled with a significant increase in simulation research and war-gaming demand as the UK Armed Forces consider future operating requirements.

We continue to demonstrate our ability to take acquisitions and position them for future success. This year has seen Inzpire reach a major milestone in the delivery of the GECO Mission planning system to the UK's Military Flying Training System. GECO is now used on the RAF's Prefect, Phenom and Texan Fixed Wing aircraft and also Juno and Jupiter Rotary Wing platforms as well as integration into the simulators. In total, more than 100 systems will be rolled out.

Similarly, Naimuri's portfolio has significantly diversified beyond National Security into Homeland Security, and UK MOD. 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 growth as part of the North West Powerhouse.

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, and delivering our mission to protect lives and secure the vital interests of our customers.

Global Products

We continue to invest in and see demand for our sensors and communication product portfolio. This past year saw record demand for its Position Navigation and Timing (PNT) product (Q20) across a number of customers. This gives a high degree of confidence that the market potential remains strong ahead of launching the next generation product (Q40) in the near future.

United States

The combination of capabilities across QinetiQ and Avantus has created a disruptive defence and intelligence business in the US.

Overview

Our US Sector provides technical advice, design and manufacture of innovative defence products specialising in robotics, autonomy and sensing solutions, and with the acquisition of Avantus is an expert in cyber, data analytics and software development. We have invested to support the long-term growth of our US Sector, in leadership, integration, systems and tools; the business is now a fully integrated single US Sector.

The US Sector has had a strong year, with high order intake of $280m and impressive revenue growth of 25%, prior to the benefit of Avantus. We have won a number of key contracts in the US that will support the delivery of our ambitious growth targets.

Order highlights

We have won a $93m single award Indefinite Delivery Indefinite Quantity (IDIQ) by the US Army for a Digital Night Vision Technology (DNVT) contract to support the continued evolution of DNVT capabilities through development, integration, experimentation and laboratory and platform test and evaluation including using digital imaging, display, processing and network architecture technologies. DNVT will substantially enhance the user's situational awareness and decision-making abilities by developing digital night vision capabilities coupled with component technology enhancements including fused imagers, display enhancements, and image processing hardware and algorithms.

We secured a contract to provide technical services to the US Army. The five year contract, worth up to $45m, will provide services for the Development Command (DEVCOM) Command, Control, Computers, Communications, Cyber, Intelligence, Surveillance and Reconnaissance (C5ISR) at the Fort Belvoir Prototyping Integration Facility (PIF). The contract, a one-year base period followed by four one-year option periods, will provide technical services for system development, fabrication, sensor and system integration, prototyping of multi-function sensor suites, and technology assessment efforts aimed at supporting current and future DEVCOM C5ISR PIF Belvoir customers. This contract is an important competitive win for the business and reinforces our continued value to our customers.

We also won a multi-year research, development and technology integration contract, worth up to $49m, with the US Army C5ISR Center, Research & Technology Integration Directorate's Image Processing Division for Image Processing and advanced Optics Technologies.

Operational highlights

We completed the RCV-L Surrogate Prototype base program activities through the successful completion of US Army Performance Testing. We delivered four (of eight) option vehicles (awarded in FY22) and received c.$20m in orders to support ongoing experimentation through the provision of spare parts, platform integration and updates, technology insertions, and support and maintenance activities.

Following successful completion of the Low Rate Production (LRIP) phase we made significant progress on the Common Robotic System-Individual (CRS-I) programme, entering into Full Rate Production in September 2022. In the year over 600 units were delivered bringing the total delivery to over 900, with over 500 systems fielded to Combat Engineering and Explosive Ordnance Disposal (EOD) units. Production remains on track with full production continuing through FY24.

We completed Optionally Manned Fighting Vehicle (OMFV) Phase 2, supporting prime contractor Oshkosh Defense. This phase delivered a successful concept design to the US Army with QinetiQ US supporting the development of the modular open architecture next generation infantry fighting vehicle to replace the US Army Bradley fighting vehicle.

At the end of November 2022 we completed the acquisition of Avantus for $590m. Avantus is a leading provider of mission-focused cyber, data analytics and software development solutions to the US Department of Defense, Intelligence Community, Department of Homeland Security and other Federal civilian agencies. Avantus has a strong track record of achieving speed-to-mission impact. Over the last three years, Avantus has demonstrated a strong track record of consistent double-digit revenue growth on a proforma organic basis, at attractive margins.

Since completion, Avantus has continued to perform well, including two successful re-competes and selection for a new $80m multi-year contract with a national intelligence customer. In the first four months of our ownership, while new business awards were lower than assumed, we achieved good performance across our contracts delivering $100m revenue at our expected margin of 10.8%. Integration is progressing ahead of plan and we are actively pursuing revenue synergies by leveraging and cross selling our offerings to our existing and new customer base. The combination of capabilities across QinetiQ and Avantus has created a disruptive defence and intelligence business in the US and we remain on track to deliver on the strategic and financial returns outlined previously.

Group CFO review

Overview of full year results

We have delivered strong growth and underlying performance.

"Strong underlying performance and exceptional cash generation provides strong momentum to deliver our strategic ambition."

Financial performance

	Statutory results		Underlying* results	
(£m)	**FY23**	**FY22**	**FY23**	**FY22**
Revenue	1,580.7	1,320.4	1,580.7	1,320.4
Operating profit[2]	172.8	123.7[1]	178.9	137.4
Profit after tax	154.4	90.0	152.9	118.1
(p)				
Earnings per share	26.8	15.7	26.5	20.6
Full year dividend per share	7.7	7.3	7.7	7.3
Funded order backlog			3,070.2	2,828.8
Orders			1,724.1	1,226.6
Net cash inflow from operations	240.6	215.1[1]	270.1	220.7[1]
Net (debt)/cash	(206.9)	225.1	(206.9)	225.1

* Definitions of the Group's 'Alternative Performance Measures' can be found in the glossary
1 Prior year comparatives have been restated due to a change in accounting policy for Research and Development Expenditure Credits (RDEC). See note 38 to the financial statements for details.
2 Underlying operating profit refers to operating profit from segments. See note 3 for details.

The Group has delivered excellent growth and underlying performance across all metrics, reflecting continued disciplined execution of our strategy. We have deployed our balance sheet to acquire Avantus and Air Affairs in the year, expanding our capabilities in the US and Australia. Strong cash generation, driven by disciplined working capital management, with underlying cash conversion of 106% (FY22 restated: 113%), has successfully reduced leverage to 0.8x net debt to EBITDA, well ahead of our original guidance. The acquisitions are performing as expected with integration on-track. The Global Products segment has performed particularly well during FY23, driven by strong US performance. The full year dividend is up 5% at 7.7p per share.

Record orders in the year, totalling £1,724.1m (FY22: £1,226.6m), a year-on-year 41% increase, 37% on an organic basis excluding the impact of the write-down in prior year; this demonstrates the continued high demand for our six distinctive offerings. This has been driven by multi-year framework contracts including a £260m, 10-year extension of the Maritime Strategic Capability Arrangement (MSCA) contract to deliver critical sovereign capabilities to the UK MOD, £404m of Engineering Delivery Partner (EDP) framework orders and £80m for SOCIETAS within EMEA Services and in Global Products a $93m award for the Digital Night Vision Technology (DNVT) over 4-years.

We continue to see positive trends in our order book progression:

- Backlog: The Long-term Partnering Agreement (LTPA) is a large multi-year contract that was booked in prior years – as we deliver non-tasking revenue (of c.£225m per annum) this will naturally reduce the LTPA order backlog. Outside of the LTPA, with our high orders in FY23 and the addition of Avantus, our backlog has seen significant growth: total order backlog as at 31 March 2023 was £3.1bn (FY22: £2.8bn).
- Opportunity size: As part of our previously stated strategy, we are also seeing success in winning and delivering on larger longer-term contracts, with 47% of our FY23 orders from contracts over £5m in size, up from 28% three years ago.

At the beginning of FY24 approximately £1.1bn of the Group's FY24 revenue was under contract, compared to £900m (of the FY23 revenue) at the same point last year. This notable increase reflects the strong performance on our key framework contracts in EMEA Services and the good FY23 order intake in the US.

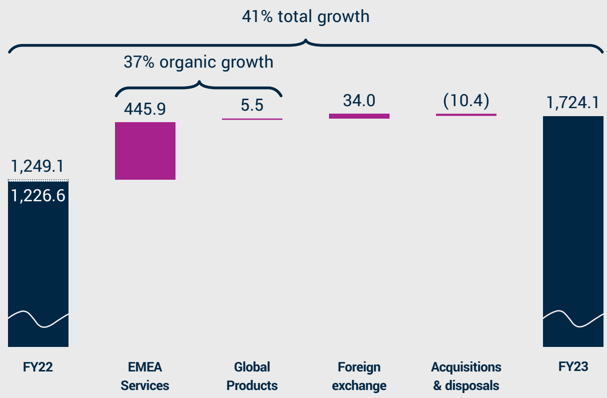
We delivered strong revenue growth of 20% to £1,580.7m (FY22: £1,320.4m), 11% on an organic basis excluding the impact of the write-down in prior year, with operating profit margins within our guidance range at 11.3%, demonstrating increasing demand for our six distinctive offerings. We saw a 10% organic revenue increase in EMEA Services primarily due to a 37% year-on-year growth in EDP delivery and work delivered under the Major Service Provider (MSP) contract in Australia. Global Products revenue increased 15% organically excluding the write-down in the prior year, due to the strong performance in the US business with the full rate CRS-I production contract now underway following delays due to COVID-related delivery and supply chain issues during the previous year. Our Targets business also delivered good growth.

Operating profit from segments of £178.9m (FY22: £137.4m) was up 30%, this represents 11.3% operating margin (FY22: 10.4%), consistent with our guidance range of 11-12% demonstrating sustainable revenue growth at stable margins. Global Products was the largest contributor to year-on-year growth, with this segment at double-digit margins, 10.4% (FY22: 0.7%). The increase has been driven by strong performance across the US business and the prior year being impacted by the write-down. EMEA Services saw a modest decrease in operating margin to 11.6% (FY22: 12.8%), driven by our investment in our people, capabilities and tools.

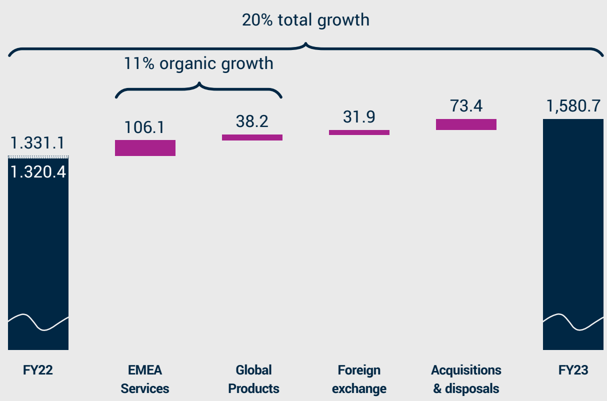
Following a routine Financial Reporting Council (FRC) review of the consolidated financial statements for the year ended 31 March 2022, the Group engaged with the FRC which resulted in the decision to change its accounting policy for Research and Development Expenditure Credits (RDEC). We welcomed the FRC's review and have set out the impact of the change in accounting policy in note 20. As a result we are now reporting RDEC under IAS 20 within underlying operating profit.

To ensure consistency and clarity on our headline profit figures, our headline profit figure remains as Operating profit from segments and we have determined that any benefit arising from the RDEC change should not be attributed to segmental performance. Statutory operating profit, as set out below, was £172.8m (FY22 restated: £123.7m), including the impact of specific adjusting items and RDEC income.

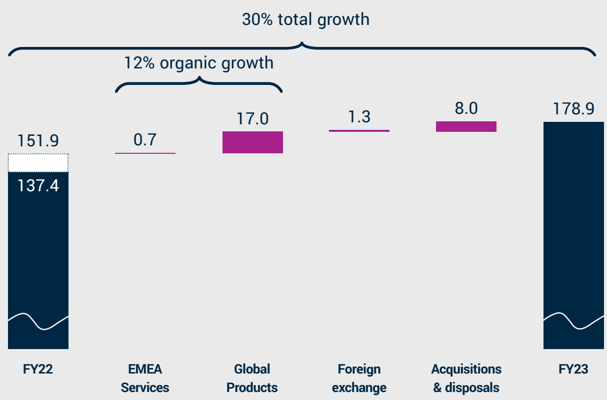
Orders bridge (£ million)



Revenue bridge (£ million)



Underlying operating profit from segments (£ million)



☐ Impact of prior year write-down for comparison purposes

Group CFO review continued

Underlying profit before tax increased 33% to £189.7m (FY22 restated: £142.2m) in line with the increase in underlying operating profit, with underlying net finance expense at £6.6m (FY22: £1.4m). Underlying net finance expense increased due to the interest payable on the term loan drawn down to fund the Avantus acquisition.

The acquisitions of Avantus and Air Affairs have together contributed £91.1m revenue and £9.4m underlying operating profit in the year. Since completion of the acquisitions, the businesses have continued to perform as expected and integration is progressing on-track.

Specific adjusting items

In line with our previously approved policy, the total impact of specific adjusting items (which are excluded from underlying performance due to their distorting nature) on operating profit was a £23.5m cost (FY22: cost of £19.9m). M&A activity during the year has contributed to the overall level of specific adjusting items.

	FY23 £m	FY22 £m
Acquisition, integration and disposal costs	(18.7)	(5.0)
Digital investment	(5.8)	(1.9)
Restructuring costs	(5.0)	–
Pension past service cost	–	(2.4)
Fair value in respect of contingent consideration	–	0.6
Release of RDEC MOD appropriation liability	19.6	–
Gain on sale of property	2.0	0.7
Impairment of property	–	(1.2)
Amortisation of intangibles assets arising from acquisitions	(15.6)	(10.7)
Gain/(loss) on disposal of business	15.9	(0.9)
Pension net finance income	9.9	4.5
Total specific adjusting items gain/(loss) before tax	2.3	(16.3)

In line with our previously approved policy, the total impact of specific adjusting items (which are excluded from underlying performance due to their distorting nature) on operating profit was a £23.5m cost (FY22: cost of £19.9m). M&A activity during the year has contributed to the overall level of specific adjusting items.

Acquisition and integration costs of £18.7m (FY22: £5.0m) comprise costs associated with the Avantus and Air Affairs acquisitions which completed in FY23.

Restructuring costs of £5.0m have been incurred as part of significant Group-wide organisation redesign completed in FY23 to better align the organisation structure with future growth ambitions of the Company. These restructuring costs have been completed in year to enable our next step-change in growth.

We continue to deliver on our digital investment programme to modernise the IT infrastructure to support our future growth ambitions. The non-recurring costs will 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 FY23 the non-recurring cost of the digital investment programme is £5.8m (FY22: £1.9m).

In FY23 specific adjusting items includes a £19.6m credit in respect of UK MOD appropriation for RDEC. Following a determination by the Single Source Regulations Office (SSRO) on the interpretation of the Statutory Guidance for Allowable Costs regulations (SGAC), the accounting judgement is that RDEC on single source contracts from 1 April 2019 onwards will no longer be paid on to the UK MOD, which is a change from the accounting judgement at FY22 year end. Therefore the release of the liability is reported as a specific adjusting item through operating profit.

Also included within specific adjusting items are a gain of disposal of the Space NV business in Belgium of £15.9m, a gain on the sale of property of £2.0m (FY22: £0.7m), financing income from pensions of £9.9m (FY22: £4.5m) and amortisation of acquisition intangibles of £15.6m (FY22: £10.7m), the last of which has increased due to the amortisation of new intangible assets recognised on the FY23 acquisitions (primarily the Customer Relationships asset associated with Avantus).

Tax

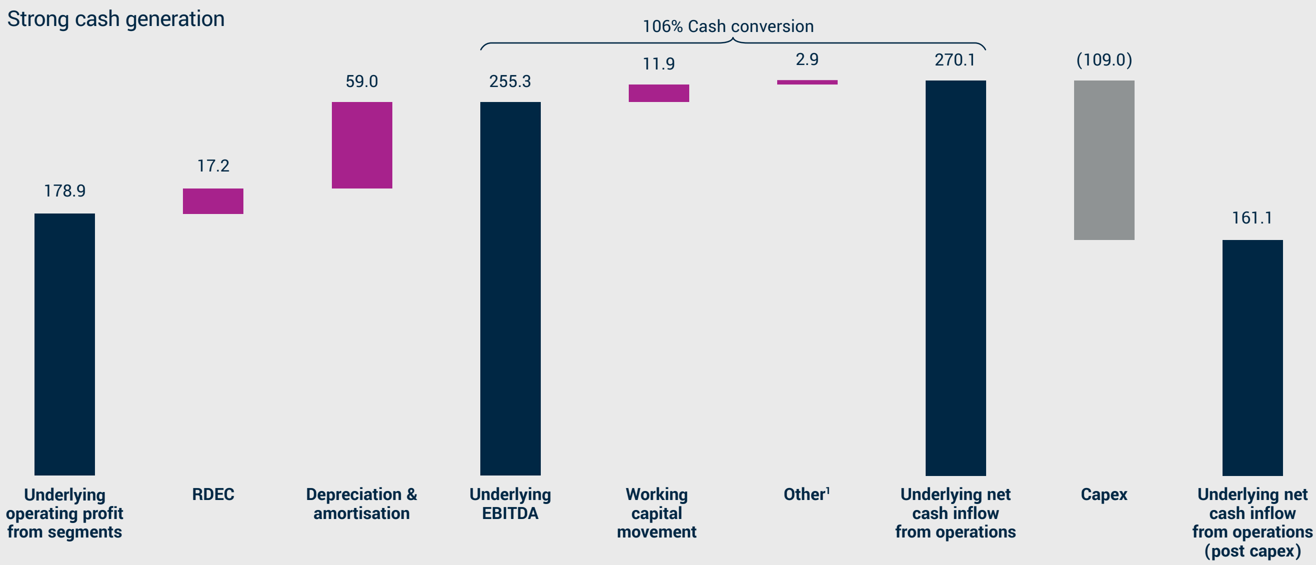
The total tax charge was £37.6m (FY22: £35.9m restated). The underlying tax charge was £36.8m (FY22: £24.1m restated), on a higher underlying profit before tax, with an underlying effective tax rate (ETR) of 19.4% for the year ended 31 March 2023 (FY22: 16.9% restated). The underlying effective tax rate is above the UK statutory rate primarily as a result of higher tax rates in overseas jurisdictions.

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate will increase from 19% to 25%. The 25% rate has been substantively enacted at the balance sheet date. An adjustment was made in FY22 and a further £4.6m adjustment has been made in FY23 to reflect that the revised UK deferred tax balances that are expected to unwind at the new rate of 25%.

The effective tax rate is expected to remain above the UK statutory rate, subject to the impact of any tax legislation changes and the geographic mix of profits. The OECD has released model rules for Pillar II of the Base Erosion and Profit Shifting regulations covering application of a Global Minimum Tax. The Group is monitoring progress of these rules and will engage with advisers to assess any potential future impact on the tax charge.

RDEC was previously included as a tax benefit and included in the tax line, reducing the ETR. Due to the change in treatment of RDEC, this has moved it out of the tax line and into underlying operating profit, therefore the headline tax rate has increased compared to prior year reporting periods. As explained above, to be consistent with prior reporting the RDEC benefit is not included in our headline reported operating profit from segments, but is included in reported underlying operating profit. For comparison and modelling purposes, if using operating profit from segments the equivalent tax rate is 11.3% (not the headline 19.4% ETR). With the increase in UK statutory rate, this 11.3% baseline ETR is expected to increase to c.19% in FY24.

Cash flow bridge (£ million)



1 Other movements driven by share-based payments and pensions impacts.

Capital Allocation Policy

Working capital management and overall cash performance has remained consistently strong. Underlying net cash flow from operations was £270.1m (FY22 restated: £220.7m). Our cash conversion definition reflects our pre-capital expenditure cash flows as a proportion of EBITDA in order to demonstrate how we convert our profit (excluding interest, tax, depreciation and amortisation) into cash flow – under this definition we achieved underlying cash conversion of 106%, (FY22 restated: 113%).

As at 31 March 2023 the Group had £206.9m net debt (FY22: £225.1m net cash), a transition into debt and a more efficient balance sheet position, due to the strategic acquisitions completed in the year and higher capital expenditure to support the Group strategic growth ambitions. We have successfully reduced leverage to 0.8x, within 4 months of the completion of the Avantus and Air Affairs acquisitions, ahead of our original guidance by 12 months.

Through FY23 we have demonstrated our capital allocation policy in action:

1. Organic and inorganic investment – increased capital expenditure to £109.0m (FY22: £84.3m), focused on contractual commitments (£44m into the LTPA), sustainment of the portfolio and investment to support future growth. Inorganic investment to acquire Avantus and Air Affairs.
2. The maintenance of balance sheet strength – continued discipline and cash generative nature of the business model, further reinforced by the strategic disposal of Space NV.
3. A progressive dividend policy with a proposed 5% year-on-year increase.
4. Return of excess cash to shareholders – we continue to review this element of the capital allocation policy in the best interests of all our stakeholders to support long-term sustainable growth.

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

Committed facilities

The acquisition of Avantus was financed using a combination of cash and debt from a multi-currency floating rate Term Loan placed with our relationship banks, acquisition financing totalled £340m. The Loan is split into two Tranches: GBP Term Loan £273m (Tranche A); and, USD Term Loan £67m (Tranche B), and has a 3-year term with two 1-year extension options. Participating banks have lent on a 2-tier basis – 3-banks at £67m and 4-banks at £35m. In line with Group policy, £270m (c.80%) of the floating rate debt has been fixed using SONIA interest rate swaps split over a 3-year and 5-year tenure at a weighted average rate of 3.29%. Including all fees and charges, the weighted average cost of debt is 5.21%.

The Group has a £275m bank revolving credit facility with an additional ‘accordion’ facility to increase the limit up to £400m. The facility which will mature on 27 September 2025 was undrawn at 31 March 2023 and provides the Group with significant scope to execute its strategic growth plans.

We highlight that 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 to the bank turmoil. The banks have been selected for their capabilities in our home countries to support our business.

Group CFO review continued

Return on Capital Employed (ROCE)

In order 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 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 FY23 Group ROCE was 23% (FY22: 26%), modestly lower due to the increased capital employed with the acquisitions completed in year. As we continue to invest in our business to support sustainable long-term growth our ROCE is forecast to remain attractive, at the upper end of the 15-20% range.

Earnings per share

Underlying basic earnings per share increased by 29% to 26.5p (FY22: 20.6p) driven by the higher underlying profit after tax. Basic earnings per share for the total Group (including specific adjusting items) increased 71% to 26.8p (FY22: 15.7p).

The average number of shares in issue during the year, as used in the basic earnings per share calculations, was 575.9m (FY22: 573.2m) and there were 578.8m shares in issue at 31 March 2023 (all net of Treasury shares).

Dividend

The Board proposes a final FY23 dividend per share of 5.3p (FY22: 5.0p) making the full year dividend 7.7p (FY22: 7.3p). The full year dividend represents an increase of 5% in line with the Group's progressive dividend policy.

Subject to approval at the Annual General Meeting, the final FY23 dividend will be paid on 24 August 2023 to shareholders on the register at 28 July 2023.

Pensions

The key driver for the decrease in the net pension asset since 31 March 2022 was the turmoil in financial markets following the Government's 'mini-budget' in September 2022, particularly a sharp increase in gilt yields (and reduced gilt prices) which significantly reduced the value of the Scheme's Liability Driven Investments (LDIs) and related asset-backed securities. Together with falls in other assets the reduction across the whole investment portfolio was in excess of the reduction in Scheme liabilities (which have also fallen substantially, due to an increase in the discount rate). As with previous years, Aon have undertaken the IAS19 valuation.

During the current financial year, due to the increased volatility in gilt yields and reflecting increased liquidity requirements for Schemes running LDI portfolios, the hedges have been amended to cover approximately 65% of the interest rate risk and 80% of the inflation rate risk as at 31 March 2023, as measured on the Trustees' gilt-funded basis.

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

Net finance costs

Net finance income was £3.3m (FY22: £3.1m). The underlying net finance expense was £6.6m (FY22: £1.4m), increased due to the interest payable on the Avantus funding borrowings, with additional income of £9.9m (FY22: £4.5m) in respect of the defined benefit pension net surplus reported within specific adjusting items. The pension net finance income is calculated as a percentage of the opening net asset. In FY23 the opening net asset (£362.2m) was larger than the net asset at the start of FY22 (£214.3m) generating an increase in the level of net finance income. Similarly, the decrease in the net surplus within FY23 (closing at £119.8m) will lead to a decrease in the pension net finance income in FY24.

Foreign exchange

The Group's income and expenditure is largely settled in the functional currency of the relevant Group entity, mainly Sterling, US Dollar or Australian Dollar. The Group has a policy to hedge all material transaction exposure at the point of commitment to the underlying transaction. Uncommitted future transactions are not routinely hedged. The Group does not hedge its exposure to translation of the income statement.

Foreign exchange translation has provided a modest tailwind to revenue and operating profit in the year. Most significantly, the US Dollar has strengthened with the average exchange rate to Sterling decreasing from 1.36 to 1.21. In FY23, 19% of our total Group revenue was generated in the US. As a result of the strengthening US Dollar and other FX movements in year, revenue increased by £31.9m and operating profit increased by £1.3m. Looking ahead we expect US revenues to represent 25-30% of Group revenues in FY24, so for every 1% move in the FX rate this would impact Group revenue by c.£5m and Group profit by c.£0.5m.

Carol Borg
Group Chief Financial Officer
25 May 2023

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 230.

Key performance indicators

Financial KPIs

The overall objective of our strategy is to deliver sustainable growth, creating long-term value for our stakeholders.

Our progress is measured by a range of financial and non-financial key performance indicators (KPIs).

Measures such as orders, organic revenue growth, profitability and cash flow track our financial performance. Similar indicators are used to review performance in each of the Group's business units and, where relevant, are accompanied by indicators specific to those business units.

Orders (£m)

1,724.1 (FY22: 1,226.6)

FY23	**£1,724.1m**
FY22	£1,226.6m
FY21	£1,149.4m

Description
This is the level of new orders and amendments to existing orders booked in the year. This provides a measure of the Group's ability to sustain and grow QinetiQ. While some orders are booked and delivered in-year, the level of orders booked in the year is one indicator of future financial performance.

Performance this year
Orders in the year were £1,724.1m, up by 41%, or 39% on an organic basis. EMEA Services grew by 49% on an organic basis driven by the 10-year MSCA extension. Global Products grew 10% on an organic basis, driven by a $92m night vision technology order in the US.

Link to strategy
Order intake enables us to assess the effectiveness and execution of our strategy which is designed to grow the Group. Order intake is used as a metric for the Bonus Banking Plan, but for executive remuneration purposes it is adjusted to exclude businesses acquired during the year.

Underlying operating profit (£m)*

178.9 (FY22: 137.4)

FY23	**£178.9m**
FY22	£137.4m
FY21	£151.8m

Description
The earnings before interest and tax, excluding all specific adjusting items. See glossary for definition.

Performance this year
Underlying profit increased by 30%, driven by the recovery in the US with Global Products seeing a return to a 10.4% margin (FY22: 0.7%) following the £14.5m complex project write-down in the prior year.

Link to strategy
Underlying operating profit is used by the Group for performance analysis as a measure of operating profitability. Specific adjusting items are excluded because their size and nature mask the true underlying performance year-on-year.

* 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 3 for details.

Backlog (£m)

3,070.2 (FY22: 2,828.8)

FY23	**£3,070.2m**
FY22	£2,828.8m
FY21	£2,944.1m

Description
This represents the total future revenue currently on contract. Increasing backlog demonstrates higher levels of confidence on the ability to deliver on the stated future revenue targets.

Performance this year
Backlog increased to £3.1bn in the year. As the LTPA backlog naturally decreases over the course of the contract, the level of backlog relating to other contracts has increased showing a decreasing reliance on the LTPA for Group revenue.

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.

Organic revenue growth (%)

12% (FY22: 5%)

FY23	**12%**
FY22	5%
FY21	10%

Description
The Group's organic revenue growth is calculated by taking the increase in revenue over prior year pro-forma revenue, at constant exchange rates. It excludes the impact of acquisitions and disposals. See glossary for definition.

Performance this year
Revenue grew by 12% on an organic basis, driven by a strong performance in EMEA Services where organic growth was 10%, driven by ongoing EDP growth and new work under the MSP contract in Australia. Strong recovery to growth in the Global Products business saw revenue grow by 20%, organically driven by the full rate CRSI production contract.

Link to strategy
Organic revenue growth demonstrates the Group's ability to grow market share and sources of revenue within its chosen markets before the effect of acquisitions, disposals and currency translation. Delivering long-term sustainable growth is critical to our success. Our organic growth rate reflects the successful execution of a relevant and consistent strategy.

Underlying earnings per share (p)

26.5 (FY22: 20.6)

FY23	**£26.5p**
FY22	£20.6p
FY21	£22.1p

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

Performance this year
Underlying EPS increased by 29% (5.9p) to 26.5p due to the strong revenue growth and improved profit margins.

Link to strategy
Underlying EPS 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.

Underlying net cash flow from operations (£m)

270.1 (FY22: 220.7)

FY23	**£270.1m**
FY22	£220.7m
FY21	£199.0m

Description
This represents net cash flow from operations before cash flows of specific adjusting items and capital expenditure. See glossary for definition.

Performance this year
Underlying net cash flow from operations was strong, growing 22%. This reflects higher underlying operating profit and positive movements in working capital.

Link to strategy
This provides a measure of the Group's ability to generate cash from its operations, and gives an indication of its ability to make discretionary investments in facilities and capabilities and pay dividends to shareholders.

Key performance indicators continued

Non-financial KPIs

We are committed to delivering responsibly and sustainably for the benefit of all of our stakeholders.

Understanding measurements that give us insight into customer satisfaction, health and safety, greenhouse gas emissions and employee engagement help us enhance our performance and are vital in ensuring our progress is sustainable.

Customer satisfaction (Net Promoter Score)

44 (FY22: 31)

FY23	**44**
FY22	31
FY21	49

Description

The Net Promoter Score is an internationally recognised metric for customer satisfaction. The NPS is calculated by deducting the percentage of customers who are detractors from the percentage who are promoters, and can therefore range from -100 to +100.

Performance this year

Our score remains in the category of good, supported by our continuous improvement approach to actioning customer feedback.

Link to strategy

Measuring customer satisfaction provides us with insight into our customers' views. Complemented with qualitative surveys, this provides us with actionable insights that enable us to improve our customer experience. This supports our ambition of becoming our customers' chosen partner in both our home countries and overseas, which requires a relentless focus on meeting their needs. Customer satisfaction is a metric used for the Bonus Banking Plan.

Employee engagement (score out of 10)

7.4 (FY22: 7.1)

FY23	**7.4**
FY22	7.1
FY21	7.3

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

This year we continued to have good participation rates 69% and have seen an increase in the overall score, 7.4 in FY23 compared with 7.1 in FY22. See page 69 for more details.

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".

Health and safety (LTI)

1.20 (FY22: 2.05)

FY23	**1.20**
FY22	2.05
FY21	2.67

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.

Performance this year
Our LTI decreased to 1.20 in FY23 from 2.05 in FY22. This ongoing decrease is supported by our EHS Strategy and Safety Improvement Programme.
See page 67 for more details.

Link to strategy
It is imperative we operate with the highest level of safety. Not only is this the right thing to do for our people, but for our customers who entrust us with safety-critical work. The safety, health and wellbeing of our people are therefore intrinsically linked to our strategic success.

Greenhouse gas emissions Scope 1 & 2 (tonnes CO_2e)

24,718 (FY22: 27,936)

FY23	**24,718**
FY22	27,936
FY21	29,444

Description
In 2022 we published our Net-Zero plan including new targets, which includes a near-term target of 50% reduction in Scope 1 and 2 emissions by 2030 from a base year of FY20 (the full near-term and long-term targets are shown on page 55).

Performance this year
We saw a decrease in our Scope 1 and Scope 2 emissions in FY23 compared with FY22, equating to a 30.5% reduction against our FY20 base year.
See page 54 for more details.

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 and a critical part of our ESG strategy. The KPI underpins our wider business performance.

Early careers talent (%)

3.6 (FY22: 3.3)

FY23	**3.6**
FY22	3.3
FY21	3.3

Description
The total percentage of our early careers community (apprentices, graduates and sponsored students) of our global workforce. We have been measuring this globally for two years, improving on a UK-only KPI in FY21).

Performance this year
We continue to see investment in our early careers community and programmes, with an increase in the early careers population (3.6% in FY23 compared with 3.3% in FY22).
See page 71 for more details, including awards for our early careers programme in Australia.

Link to strategy
As a knowledge-based business it is critical to our long-term viability that we develop the next generation of employees.

Environmental, Social & Governance

Being part of QinetiQ means being central to the safety and security of the world around us; because everything we do is about protecting what matters most. In a year, when we have seen conflict, unprecedented temperatures, devastating floods, and a soaring cost of living, it is clear that environmental, social and governance (ESG) aspects matter to QinetiQ and to our stakeholders more than ever.

Highlights in FY23

- We have invested significantly to improve our employee offering, increasing salaries, particularly addressing the lower paid employees as well as setting up a hardship fund.
- Introduction of a new personal development fund for employees.
- Inclusion in the Sustainalytics 2023 Top-Rated ESG Companies List.
- Validation of our greenhouse gas (GHG) emissions targets by the Science Based Targets initiative (SBTi).
- 30.5% reduction of our Scope 1 and Scope 2 GHG emissions against our FY20 baseline.
- Creation of a dedicated "ideation" channel for collaboration and innovation to support our Climate Change programmes.
- Recognised as "Highly Commended" by the MOD Sanctuary Awards, for achievements in conservation and sustainability in relation to the renovation programme on St Kilda.
- Winner of Graduate Programme of the Year in the Australian Defence Industry Awards for a second consecutive year.
- Received an Excellence Award for Best Graduate Development Programme at the 2022 Australian HR Awards.
- Additional leadership support and governance for ESG through the new ESG Steering Committee and the new Environment Council.

Over the following pages, we report progress on those areas of ESG we consider most important.

Signposting

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

- Investment case (page 13) and strategy (page 17)
- Stakeholder focus (pages 22-27)
- Non-financial KPI (pages 50 and 51)
- Risk management (page 76)
- Non-financial information statement (page 88)
- Corporate Governance including ESG (page 92)
- ESG in leadership remuneration (page 138)

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

ESG materiality

Sustainability and ESG encompass a broad range of aspects but not all apply or are material to our Company, sector or communities, so it is important that we are focused on what matters most to support our business and meet the expectations and needs of our stakeholders. Delivering our ESG strategy, based on key material aspects ensures we are addressing risks and creating value for our shareholders and customers, a great place to work for our people and future workforce, protecting the environment and having a positive impact in our communities.

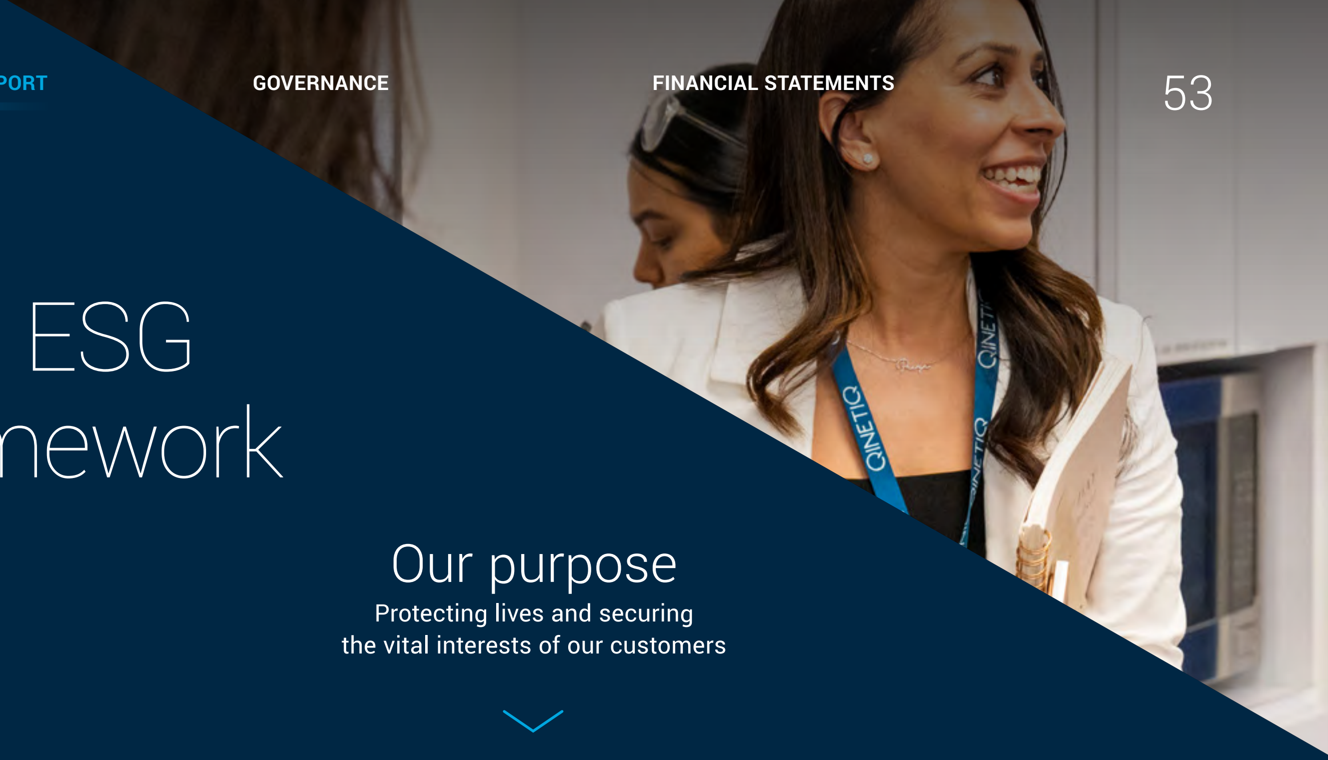
The external landscape continues to move rapidly, with new reporting requirements ahead and some additional focus areas. Climate change continues to be a priority issue (both Net-Zero and climate resilience). We have always had biodiversity as part of our ESG approach, and have seen the external focus on this increasing, through the 2022 UN Biodiversity Conference in Montreal (COP15), new government action and interest from shareholders. A significant addition this year has been to recognise the increased cost of living and the impact this has on our people and communities, and we have sought to rapidly address this. To ensure we understand future requirements, we actively horizon scan providing monthly updates to the ESG Steering Committee, chaired by our Group CEO, and updates as part of ESG reports to our Board.

Regular engagement with stakeholders is vital. Throughout the year, we talk with shareholders, customers and employees about ESG so we are able to listen, understand, and identify what matters most to them.

We also monitor and contribute to best practice through our active role in industry sustainability working groups and networks. We strive to be proactive, chairing the Sustainability Working Group with our trade body (ADS), and co-chairing the UK MOD-Industry Sustainable Procurement Working Group and the UK Defence Suppliers Forum (DSF). We actively collaborate with customers and peers on topics such as climate change, ethics, diversity and inclusion and skills.

We recognise the importance of supporting national and international sustainability programmes and frameworks. We have our Net-Zero targets validated by the Science Based Targets initiative (SBTi) (see page 55), we support Race to Zero and also the UN Sustainable Development Goals (SDGs) and remain committed to driving progress on specific goals that are aligned to our sustainability agenda.

We believe that the core themes that we are focusing on are the most material, and our approach is to embed ESG into our business. Our approach to ESG governance is described on page 73. Our core non-financial KPIs are on pages 50 and 51 and our principal risks on page 76. In FY24 we will be spending time reviewing all of the new reporting requirements e.g. the International Sustainability Standards Board (ISSB) and associated frameworks such as the Sustainability Accounting Standards Board (SASB) to ensure that we are able to clearly explain how we manage sustainability, how we understand our material aspects and how these are embedded as part of our business strategy.



Our ESG framework

Our purpose

Protecting lives and securing the vital interests of our customers

Our ESG framework

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

Environmental

Material aspects

- Climate change – Net-Zero
- Climate change resilience
- Sustainable solutions for customers
- Environmental management
- Waste and resources
- Conservation and biodiversity

Social

Material aspects

- Health, safety & wellbeing
- Employee engagement
- Diversity and inclusion
- Learning and development
- Reward and recognition
- Human rights/modern slavery
- Community impact

Governance

Material aspects

- Business ethics and Code of Conduct
- Anti-bribery and corruption
- Ethical trading policy
- Sustainable procurement
- Leadership ESG remuneration

Creating a safe and secure environment for us all to thrive

Our values demonstrate our purpose and ESG framework in action

Our values

Integrity

ESG fully supported by the QinetiQ Leadership Team and Board.

Collaboration

Industry engagement and leadership. Multidisciplinary internal collaboration.

Performance

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

Sustainability continued

Environmental

In FY23 the world saw devastating floods and the UK experienced the hottest temperatures on record. In addition to the threat of climate change, the UN Biodiversity Conference (COP15) amplified growing concerns about the significant loss of biodiversity. Within this context, environmental stewardship has never been more important. We actively play our part, reducing our greenhouse gas emissions, through our conservation activities and by the solutions we provide for our customers to meet their sustainability ambitions, while maintaining defence capability.

Climate change

During FY23 we formalised our Climate Change Programme, directly engaging with all areas of the QinetiQ Group to embed the Net-Zero plan that we developed in FY22, and to instigate the necessary operational changes that will support future reductions in our GHG emissions. In this section, we outline some of the activities and projects that have already been delivered, as well as those that we will be embarking on in FY24 and beyond.

In addition, we provide our disclosures in line with the Taskforce on Climate-Related Financial Disclosures (TCFD) recommendations.

Scope 1 and 2 of our GHG emissions form one of our non-financial KPIs (see **page 51**).

Transition to Net-Zero

Our GHG emissions reduction targets, (shown in the table on the right), will be achieved through the four initiatives that underpin our Net-Zero plan, and we have shared details of activities completed this year in the table on **pages 58-59**, along with examples of planned activities for FY24 and beyond. These represent not only work streams and projects that will deliver direct reductions in emissions within Scope 1, 2 and 3, but also the fundamental shift required in our governance, operations and culture to enable us to adopt a Net-Zero approach that becomes business as usual.

Validation of our Net-Zero targets

In FY22 we revised our previous approach to setting GHG emissions reduction targets, incorporating sources of emissions from across our value-chain (Scope 1, 2 and 3 emissions) and we published our Net-Zero plan. These targets, and our supporting methodologies, were reviewed by the Science Based Targets initiative (SBTi), and subsequently fully validated in early FY23. This can be found on the SBTi website: **https://sciencebasedtargets.org/companies-taking-action**

SBTi confirmed that our targets are ambitious, and that we were one of the first companies to have set near-term, long-term and Net-Zero targets (one of the first companies headquartered in the UK, and the first Aerospace & Defence company).

FY23 represented the foundation year of our Net-Zero plan, to develop and drive the initiatives that will deliver reductions in our GHG emissions.

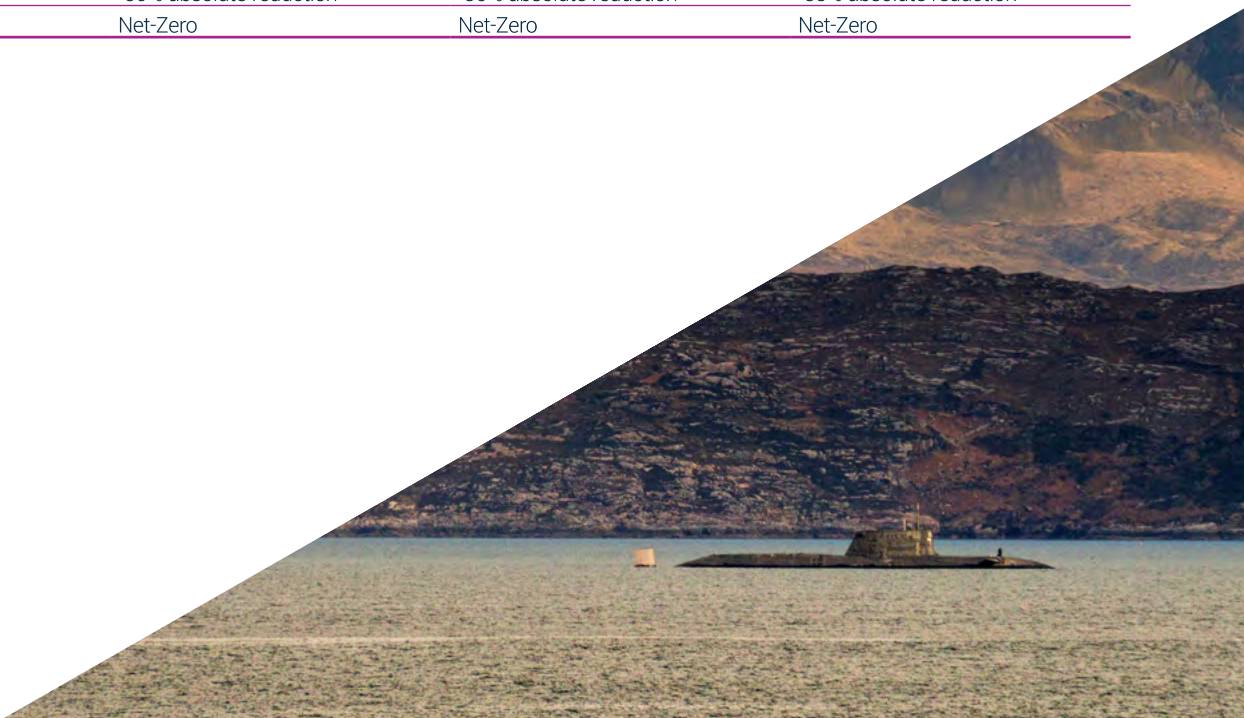
Scope 3 emissions

We have been capturing, measuring and reporting Scope 1 and Scope 2 GHG emissions data for many years. But like many organisations, we have only recently started capturing Scope 3 data. For the first time we have published our full breakdown of GHG emissions across all 15 Categories of Scope 3, on our website. www.qinetiq.com/en/our-company/sustainability/climate-change/net-zero

We use the Greenhouse Gas Protocol, a widely accepted methodology. Because of the range of different category emissions, Scope 3 data capture is challenging. We are using a spend-based methodology for categories where we do not currently have access to accurate emissions data and as a result our Scope 3 emissions are dominated by our purchased goods and services. We recognise the importance of working with our supply chain and further improving and developing our data analysis to move away from a spend-based approach. We also need to better align the timing of Scope 3 data capture (currently several months after Scopes 1 and 2, due to the expertise and resource required, creating a lag in reporting). Our Scope 3 emissions recorded for FY22 were 269 kt CO_2e, an increase compared with the previous year (229 kt CO_2e), primarily due to increased spend with suppliers, driven by corporate growth. Since our first data capture, we have reviewed and revised our process of GHG emissions data collection, allowing us to build greater confidence in the scale and source of our current footprint, through more detailed collaboration and information gathering from all parts of QinetiQ Group. This will be a significant and ongoing process and we aim to be transparent in our approach where improvements are made, particularly where a change in the emissions reported is due to the calculation methodology and not due to a real reduction/increase.

Net-Zero targets

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



Sustainability continued

Scope 1 and Scope 2 emissions

	FY23	FY22	FY21	FY20
Total Scope 1 emissions (tCO_2e)	13,360®	15,727	15,872	19,289
Total Scope 2 emissions (tCO_2e)	11,358®	12,236	13,572	16,298
Total Scope 1 and 2 emissions (tCO_2e)	24,718	27,936	29,444	35,587
Intensity ratio (tCO_2e per £m of revenue)	16®	21	23	33
Energy consumption (kWh) resulting in the above reported emissions	114,809,565	125,261,565	122,808,625	139,780,656
Proportion of energy consumption arising from UK operations (%)	96%	98%	99%	98%
Proportion of emissions arising from UK operations (%)	95%	98%	99%	98%

In line with previous years, GHG from acquisitions are not included in our figures until we have a full year of data, but will be reported in future submissions when we have completed the necessary data capture, analysis and assurance.

In line with reporting requirements, in the table above we have published our Scope 1 and Scope 2 emissions and intensity metric. We have adopted a financial control approach, used the GHG Protocol Corporate standard and UK Government emission conversion factors. PricewaterhouseCoopers LLP (PwC) carried out a limited assurance engagement on selected GHG emissions data for the year ended 31 March 2023 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 by the following symbol (®). A copy of PwC's report and our methodology is on our website: **www.qinetiq.com/en/our-company/sustainability/climate-change**

Scope 1 and Scope 2 GHG emissions form one of our non-financial KPIs (**page 51**). We are pleased to report a further reduction in our Scope 1 and Scope 2 emissions in FY23, equating to a 30.5% reduction from our FY20 baseline, against our target of 50% by FY30. During FY23 we made two acquisitions (Avantus and Air Affairs) and resulting emissions will be included in our FY24 report when we have a full year of data.

To meet the Streamlined Energy and Carbon Reporting (SECR) requirements, we also present our energy performance in the table above (identifying the proportion that is for the UK) and the following are examples of energy reduction projects in FY23:

- Installation of electrical sub-meters at key UK sites, to enable the gathering of more accurate energy usage data to assist in the identification and reduction of energy consumption. A number of installations have taken place (at our Malvern and Haslar sites and at MOD West Freugh) and further sites have been surveyed.
- LED lighting has been installed in our Haslar, Malvern and Portsdown Technology Park sites and planning is underway for further sites.
- Reviewing our data has allowed us to identify and address anomalies. For example at the MOD Loch Goil site an unexpected increase in consumption was attributed to an incorrectly controlled heating unit.
- Preparation for installation of new Photovoltaic (PV) power solutions across UK sites, to enable greater self-generation of renewable energy.
- Installation of Telematics systems in UK corporate fleet vehicles, to identify usage patterns and opportunities to rationalise our corporate fleet, supporting a transition to low-emission vehicles.
- Changes to air-traffic control procedures, with the introduction of performance-based navigation approaches and revised continuation training for pilots to reduce requirements for flying time and so reduce consumption of jet fuel.
- Procurement of new electric aircraft tugs to replace diesel units, and procurement of lower-emission diesel ground power units and a new low-emission diesel runway sweeper vehicle.

A more comprehensive list of the activities that have been delivered in FY23, and planned activities for FY24 and beyond, can be found in the table on **pages 58 and 59**. These directly support our Net-Zero plan.

Stakeholder engagement on climate change and sustainability

We have seen an increasing interest and focus on climate change from all stakeholders. 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 as Industry Co-Chair of the Defence Suppliers Forum (DSF) (see **page 52**). We have also been engaging with our supply chain, via our industry working groups.

We continue to see an increase in climate change being included within customer requirements (for example we now annually publish a Carbon Reduction Plan on our website to meet UK PPN 06/21), and through social value requirements. As well as mandatory reporting we participate in voluntary climate change reporting, for example CDP (the Carbon Disclosure Project) and recognise there will be more reporting obligations in all of the geographies in which we operate. We will continue to monitor and review these evolving requirements, engage with shareholders and work closely with our customers and suppliers to ensure that we meet our obligations and stakeholder expectations.

Our employees show significant interest in climate change and regularly pose questions to leaders as part of our Global Employee Roadshow. We included a question on climate change in our Peakon employee survey in July 2022: "I would like to do more to help QinetiQ reduce its impact on climate change". The question scored 7.7 out of 10 (higher than the average score) and there were over 1,100 comments and suggestions. The survey has been valuable in informing our programme and also how we communicate.

We have launched a new Net-Zero channel as part of our "IdeaXchange" to make sure employees are able to create and collaborate on ideas and we are able to capture any suitable ideas into our plan. We have launched a new sustainability lunch and learn series, offering employees the opportunity to learn from internal and external speakers on a range of topics. We also use World Environment Day as an opportunity to engage with our teams through various virtual events. We ran our third "December Climate Change Challenge" campaign to promote how we can all contribute to tackling climate change.

For our leaders, we launched an engagement process to discuss their role in delivering the Net-Zero plan. This included an in-depth interview programme, led by our Human Factors team who are experts on culture change. We also introduced Net-Zero as part of the leadership incentives (see **page 73**) and have refined this for FY24 (**page 138**).

CASE STUDY

Vision 2050 sustainability competition for our early careers community

We launched our first sustainability competition for our global Early Careers community, asking them "how do you see QinetiQ in 2050?" Supported by a series of sustainability and innovation workshops and mentors from our QinetiQ Fellows community, the teams developed a range of solutions considering biodiversity, renewable energy and culture.

8 teams, 66 ideas

Read more about our Net-Zero programme pages 58 and 59

> It is exciting to see the range of great ideas from our people through the ideaXchange and the Vision 2050 competition, providing platforms to showcase our diversity."

Carol Borg, Group CFO

Sustainability continued

Net-Zero pathway initiatives

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

Achieving Net-Zero

Net-Zero Operations (Scope 1 and 2 GHG emissions)

Initiative 01

Completed in FY23

- Elimination of Sulphur Hexafluoride (SF6) from Flash X-ray equipment.
- Preparation for installation of new Photovoltaic (PV) power solutions across UK sites.
- Installation of new electrical sub-meters at key UK sites.
- First phase of installation of new Electric Vehicle (EV) charging units across UK sites.
- Installation of Telematics systems in UK corporate fleet vehicles.
- Changes to air-traffic control procedures with the introduction of performance-based navigation approaches, and revised continuation training for pilots.
- Efficiency improvements to our aircraft, for example through a weight-reduction programme.
- Procurement of new electric aircraft tugs, lower-emission diesel ground power units and lower-emission diesel runway sweeper vehicle.
- A range of energy efficiency improvements across our operations, for example through digital transformation projects.

Planned for FY24 and beyond

- Comprehensive plan for the removal of fossil fuels from our operations.
- Installation of new renewable power generation solutions across UK sites.
- Installation of additional electrical sub-meters, to provide greater granularity on our energy consumption.
- Trial of high-capacity energy storage solution, to capture energy generated by on-site, renewable power systems.
- Installation of additional EV charging units across UK sites.
- Sustainable Aviation Fuel (SAF) pilot project, to help guide a future adoption of SAF across our aviation activities.
- Phased rationalisation of our UK corporate vehicle fleet, with a transition to low-emission vehicles.

Net-Zero upstream and downstream focus (Scope 3 GHG emissions)

Initiative 02

Completed in FY23

- Internal stakeholder mapping, to identify and engage with Scope 3 data owners from all areas of the business.
- Analysis of supply chain data, providing greater understanding of our emissions associated with purchased goods and services.
- Improved inclusion of environmental considerations within investment decisions, including mergers and acquisitions.
- Review of existing Business Travel policy and provider, and identification of areas for improvement to reduce emissions.
- Engagement with Business Development teams and internal product owners, to identify and calculate emissions data associated with sold products.

Planned for FY24 and beyond

- Development of a hybrid approach to reporting Scope 3 emissions, moving away from current spend-based methodology for key categories.
- Greater engagement across our supply chain, targeting emissions from purchased goods and services.
- Design of a new travel strategy, reviewing and reducing emissions associated with business travel and commuting.
- Greater engagement with corporate estate management teams outside of the UK, to review options for reducing emissions associated with leased assets.

Contributing to Global Net-Zero

Deliver critical internal and industry-wide enabling activities

Initiative 03

Completed in FY23

- Inclusion of Net-Zero into the non-financial component of all senior leaders' incentive scheme.
- Significant employee engagement and raised awareness through briefings, blogs, webinars, and Peakon Survey.
- Creation of a dedicated idea generation channel for collaboration and innovation around climate change.
- Early Careers Sustainability competition, to drive engagement and gather insight.
- Developed a Carbon Calculator Tool, to visualise the carbon footprint of activities, projects, and investment opportunities.
- Continued to play an important role on stakeholder steering committees and action groups, for example the Defence Suppliers Forum (DSF), ADS and TechUK.

Planned for FY24 and beyond

- Improved training for all employees and leaders, providing greater focus on environmental issues.
- Development of an improved emissions reporting toolset, to enable enhanced forecasting capabilities.
- Embedding of environmental impact criteria into investment approvals, technical assurance processes, and project reporting metrics.
- Development of a revised waste strategy.
- Development of a detailed Climate Transition Plan, in compliance with the Transition Plan Taskforce (TPT) guidance, building on our existing Net-Zero plan to further outline our strategy to contribute to and prepare for a global transition towards a low-carbon economy.

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

Initiative 04

Completed in FY23

- Secured contracts with key customers for delivery of Net-Zero planning and strategy development.
- Secured agreement for additional funded Net-Zero research and concept development through our LTPA contract.
- Recognised by the UK MOD Sanctuary Awards for achievements in conservation and sustainability in relation to the renovation programme on St Kilda. The programme was Highly Commended in the Sustainable Procurement and Construction category.

Planned for FY24 and beyond

- Launch new IRAD (Internal Research and Development) approach for sustainable solutions.
- Continue to work closely with all customers to support their Net-Zero journey, for example as part of the LTPA.
- Undertake a review of our portfolio of solutions and explore new opportunities.

Sustainability continued

Sustainable solutions for customers

QinetiQ are supporting DE&S to deliver their Net-Zero strategy, starting with a Discovery Phase regarding plans to purchase more resilient and lower emission military capability. Working with Front Line Commands, DE&S and supplier groups, we have reviewed existing Acquisition and Support mechanisms, delivered a high-level overview of the data requirements for a new approach to carbon management and developed a comprehensive stakeholder engagement plan. These, combined with our advice on culture, behaviour, data, process and business change provide a strong foundation for meeting the MOD Net-Zero strategy. This work is being delivered through the Aurora Engineering Partnership.

Environmental management

We seek to deliver responsibly and sustainably for our customers, protecting the environment, enhancing biodiversity and minimising our GHG emissions. Our approach is underpinned by ISO 14001 certification in the UK and Canada. We have launched a new Environment Council, where Functional and Sector leaders come together to communicate, review and agree on issues, actions and standards of best practices that are enterprise-wide and/or have operational significance. Environmental matters are also reported to and reviewed regularly by the Board. (Also see **page 88**).

We have refreshed the environmental content of our mandatory training for employees and engaged and communicated with our people, to promote environmental stewardship (see **page 56**).

Waste management

Our waste target is to increase the annual proportion of UK waste that is re-used and recycled from our underlying waste production. The sites that produce significant waste (approximately 95% of the total) have waste management action plans. We met the FY23 waste target, with 87.1% of underlying waste re-used or recycled (compared with 82.7% in FY22). Waste contributes to our Scope 3 emissions and so forms part of our Net-Zero plan and we will continue to look at how we can drive improvements.

Conservation and biodiversity

During FY23 there has been a global focus on biodiversity following COP15. Climate change is having an impact on habitats and we know that responsible stewardship of the sites we manage can contribute to biodiversity. We continue to support operational delivery while protecting flora and fauna, for example:

- The rare, protected fen orchid has been rediscovered in the dunes at MOD Pendine after 20 years. This species needs open, scrub-free conditions and recent conservation work at the site has promoted this.
- Assessment and mitigation of underwater noise impacts on marine mammals have enabled complex activities to take place such as Exercise Atlantic Thunder at MOD Hebrides.
- Approvals have been obtained for seabed infrastructure reinstatement within a Marine Protected Area at MOD Loch Fyne.
- An area has been identified for turtle dove conservation activity at MOD Shoeburyness. Turtle doves are the fastest declining bird population in the UK.
- Protection and monitoring of the great crested newt, a European protected species, during ongoing restoration of a previously contaminated site at MOD Eskmeals.

We were delighted to have been recognised by the MOD Sanctuary Awards for achievements in conservation and sustainability in relation to the renovation programme on St Kilda in the Outer Hebrides. The project was Highly Commended in the Sustainable Procurement and Construction award category.

In FY24 we will continue to focus on environmental stewardship programmes, building greater connection with our Net-Zero plan. We will be reviewing policy and further improving training, awareness and environmental volunteering to engage our people.

Taskforce on Climate-related Financial Disclosures

We are committed to reducing our greenhouse gas emissions and ensuring that our business is resilient in a future climate-changed world. Our transition to Net-Zero requires us to proactively evolve and change as the world around us decarbonises, and experiences the physical impacts of climate change. We published our Net-Zero plan where we have committed to near-term and long-term targets to reach Net-Zero across our value chain by 2050 from a FY20 base year. Our targets have been validated by the Science Based Targets initiative. FY23 formed our foundation year and we have made good progress.

The Financial Stability Board's Taskforce on Climate-related Financial Disclosures (TCFD) recommends a reporting framework across four overarching themes (governance, strategy, risk management and metrics and targets). In line with the Financial Conduct Authority (FCA) Listing Rule 9.8.6(R)(8), we provide our disclosures here, consistent with this framework, plus links to where further detail is provided in this document 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. As best practice and guidance advances, we will actively seek to refine our reporting over time.

Compliance statement

We believe our approach is consistent with 10 of the 11 TCFD recommendations. In FY24 we will be focusing on further developing the quantitative aspects of our financial modelling. We will be reviewing our scenario modelling and seeking to refine our targets as our climate resilience approach progresses and evolves.

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	Page 97: Board Directors Page 138: Remuneration Committee
b) Describe management's role in assessing and managing climate-related risks and opportunities	Page 128: Audit Committee Page 80: Risk Management Page 73: ESG Governance Page 138 Leadership incentives Page 56: Leadership engagement Page 88: Non-financial information statement

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 risks and opportunities resulting from climate change, and this is considered as part of our strategy. Our Group CFO Carol Borg is the Board Sponsor for the wider ESG programme, including climate change. She has extensive ESG experience (see **page 97**). Both the Group CFO, and our Group Director of ESG provide regular reports and briefings on ESG and climate change to the Board and key Board Committees.

Board Meetings:

- In October 2022, climate change formed part of the Board's strategy day with a session led by the Group CFO to provide an update on progress and to discuss plans, including a focus on data in FY24.
- In July 2022 and in January 2023 we provided updates on progress and plans of the climate change programme.

Audit Committee

- In March 2023 an update on non-financial reporting including TCFD was presented.

Remuneration Committee

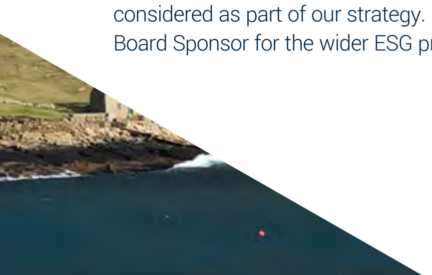
- Overseen by the Remuneration Committee, in FY23 we launched a new climate change goal as part of the non-financial collective goals for our leadership community. During FY23 the focus on climate change has evolved and strengthened as part of the FY24 Annual Bonus Plan for leaders (**page 138**).

In 2022 we created a new ESG Steering Committee, Chaired by the Group CEO, to provide oversight, leadership and scrutiny of our ESG commitments and initiatives across the Group including performance against our Net-Zero Plan. The Committee meets monthly and includes the Group CFO, Group Director of ESG and members of the QLT.

Leadership and delivery of the climate change programme are the responsibility of the Group Director of ESG, who reports to the Group CFO. The Climate Change Steering Group includes leaders and subject matter experts from across the business in key roles, ensuring we take the necessary multidisciplinary approach. The regular programme reviews and meetings create a senior forum for developing and implementing strategy and plans and for reviewing risks and performance. The Group CFO has oversight of the programme and reviews progress and plans.

In FY23 we created a number of new Functional Councils to support good governance across our business, where Functional 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 are the Environment Council and the Risk and Assurance Council; the former is chaired by the Group Director of ESG and she is a member of the latter. As the councils mature, they will help to ensure that climate change is embedded in our risk and governance approach. Also that our governance structure, and oversight of policy and strategy for climate change is consistent (eg aligned with our Finance Council). In FY24 we will be strengthening inclusion of climate change in sector and functional performance reviews with the Group CEO and Group CFO.

As part of the introduction in FY23 of climate change into our leadership incentive scheme, we undertook a widespread engagement approach to working with senior leaders across the business to identify their role in tackling the risks and opportunities associated with climate change (**page 56**). This ongoing engagement and involvement by leaders strengthens our commitment and underpins our leadership engagement, oversight and governance.



Sustainability 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 businesses strategy, and financial planning where such information is material

TCFD disclosures:	Additional information
a) Describe the climate-related risks and opportunities identified over the short, medium and long term	Page 80: Climate Change risk Page 17: Strategic framework Page 53: ESG framework
b) Describe the impact of climate-related risks and opportunities on QinetiQ's business, strategy and financial planning	Pages 50-51: Non-financial KPIs Pages 54-59: Net Zero plan Page 59: New IRAD funding
c) Describe the resilience of QinetiQ's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Pages 52 and 56: Industry partnerships Page 84: Viability statement

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. During FY23 we have seen unprecedented temperatures in the UK, devastating floods in Pakistan, a significant increase in energy prices due to the conflict in Ukraine, emerging reporting requirements on business and an increase in focus by our customers. It is important that we understand where these types of issues are material to our business.

In FY22 we undertook a Group-wide qualitative climate change risk review of our operations, our supply chain and our work for customers and considered how this could impact cost, revenue and asset value. We have considered the medium (2030) and longer term (2050). We considered risks site by site, to consider geographical and regional variation, reflecting different locations and also different business operations (for example delivering trials, managing our estate, our supply chain). We identified that our business is exposed to both physical and transitional risks (before mitigation activities) and opportunities which are listed in the table on **page 63**.

Other issues were considered (for example, the impact on reputation) but were less material. 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 and look to create a quantitative approach and will report further information as this develops.

Impact on strategy and planning

These aspects are included in our principal risks on **page 80** and a description of our risk management approach is on **page 75**. As part of our regular risk review, we do not believe these risks have materially changed. We recognise this is not a one-off exercise and have been focusing this year on how we ensure that we build the "business as usual" mechanisms, to ensure that we understand the risks, understand the impacts and can ensure we are resilient.

Our commitment to ESG and sustainability is part of our strategic framework (see **page 17**) and GHG emissions are one of our core non-financial KPIs (see **page 51**). ESG and climate change are embedded in our Integrated Strategic Business Plan (ISBP) process. In FY22 we developed and published our Net-Zero plan (see our full Net-Zero plan: **www.qinetiq.com/en/our-company/sustainability/climate-change/net-zero**) and FY23 has formed our foundation year of this programme (a detailed review is provided on **pages 54-59**).

In FY23, as part of the preparation of the ISBP, we strengthened our articulation of climate change to ensure we understand how accountability lies across the whole of the Group. This included a dedicated session on climate change as part of the Board's strategy day. We have revisited how we manage opportunity and risk management as part of the strategy.

We are driving our Net-Zero plan and will continue our investment in our initiatives detailed on **page 58-59** as well as addressing the need for greater horizon scanning and reporting and we have set up a new IRAD (Internal Research and Development) fund for FY24 to support sustainable and Net-Zero innovation ideas. We continue work to refine how to quantify the financial risks of climate change and will continue to develop this as part of our climate resilience programme, focusing on risks and mitigations. We have been developing an approach to introduce an internal cost of carbon that will be used in business cases and acquisitions. We will be further focusing on quantifying the growth potential of customer solutions, currently a relatively small part of our capability portfolio, but with recognised potential.

Type of risk	Cause	Risk effect (unmitigated)	Scenario and timescale	Mitigation
Physical	Increasing number or increasing severity of extreme weather events or flooding affecting sites.	May result in damage to infrastructure, which could disrupt operations on our estate and those sites we manage on behalf of our customers.	The likelihood and severity of these events is likely to increase in the medium and long term, particularly under the rising emissions scenario.	Risk assessments for our sites to identify any vulnerability to extreme weather or flooding events. Building climate resilience into business continuity planning.
Physical	Increasing number or increasing severity of extreme weather events causing disruption to supply chain.	May impact the ability of our supply chain to meet requirements, thereby causing disruption to operations or customer delivery.	Depending on the scenario, the likelihood and severity of these events is likely to increase in the medium and long term, particularly under the rising emissions scenario.	Risk assessment of supplier categories. Building climate resilience into business continuity planning.
Transition risk	Emergence of new regulation.	Across all of the territories in which we operate, we may be subject to greater regulatory requirements (for example increases in reporting) or carbon (GHG) pricing, which may result in additional costs, the need for additional resources or the failure to meet requirements.	This will be potentially more likely for scenarios where global decarbonisation is more rapid.	Monitoring of emerging policy and regulation to inform business planning (e.g. recognition of future reporting requirements is included in our long-term strategic plan). Reduction in emissions reduces our exposure to carbon pricing.
Opportunities	New products and services.	The global transition to a low-carbon economy may create opportunities for us to innovate for our customers, and increase revenue from current or future low-carbon solutions (products or services).	Short to medium term, may increase in all scenarios.	Maintaining customer intimacy to understand future requirements. Regular engagement through industry working groups to understand and share best practice. Development of "sustainable solutions" portfolio and introduction of new IRAD fund.

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, it has been helpful to consider different scenarios which reflect that the transition to a decarbonised world may take different pathways, with different outcomes.

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

In FY22, we undertook our first scenario-analysis to assess the potential impact of climate change on our business and consider different possible futures. 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 two time horizons (2030 and 2050) so we were aligned with our Net-Zero targets and used a variety of data sources. We plan to review this approach regularly.

Climate change implications were considered through the FY23 ISBP process. A climate change event (a significant flood at a critical site) was selected as one scenario for financial modelling as part of the broader scenario impact assessment of our ISBP. The findings were presented at the March 2023 Audit Committee to inform the consideration of the recommended longer-term viability statement and going concern statement disclosures (see **page 84**). Through the ISBP process we have also identified potential business growth opportunity due to the climate change imperative that we share with our customers.

Sustainability 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 the organisation's processes for identifying and assessing climate-related risks	Page 80: Strategic risk management
b) Describe QinetiQ's processes for managing climate-related risks	Pages 58-59: Net-Zero plan
c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management	Page 60: Environment Council

Identifying risk
In line with TCFD recommendations, our risk assessment approach addresses both physical risks and transition risks. In FY22, to identify key risks and opportunities, we undertook a review of best practice and guidance and ran briefing sessions and workshops with key internal stakeholders, to explore what would be relevant to QinetiQ operations. In FY23 we have been reviewing and refining our risks to ensure that our assessments are current and that we are embedding these as business as usual. For physical risks we considered these primarily by site, and also considered issues such as our supply chain and business delivery. A range of potential risks have been identified (for example where there may be increased flood risk) and captured. 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 familiar with the physical risks posed and have a good understanding of suitable mitigations. In FY23 we surveyed our site teams to explore if they were observing new issues or had experienced significant events; no material issues were identified.

To assess transition risks we undertake horizon scanning to identify any relevant changes. We have used a variety of sources of information. In FY23 we have been exploring how we can strengthen our horizon scanning and will be setting up some additional programmes in FY24.

The scenario analysis described above builds on our previous programmes of undertaking climate change risk assessment at key sites and horizon scanning for changes to the external landscape (e.g. regulatory and market). The output has informed our understanding of how climate-related risks (both physical and transitional) could impact our business. We will review and evolve this scenario analysis and integrate the findings into our risk management approach, in order to ensure that mitigations are identified and in place to address our business resilience to climate change. Our approach to scenario modelling has been qualitative and we have started to develop a quantitative approach which will evolve.

Management of risk
Ownership and management of individual risks are assigned to members of the QinetiQ Leadership Team (QLT) who are responsible for ensuring the operational effectiveness of internal control systems and for implementing key risk mitigation plans. The Board undertakes an annual assessment of the principal risks and climate change is included (see **page 80** in the risk section). The QLT is supported by our Chief Risk Officer and our risk managers, who are able to have more tactical and operational oversight. Risks are assigned owners. In our Net-Zero plan we have aligned our strategy with a transition to Net-Zero. Our four initiatives outline our plans for reducing our Scope 1, 2 and 3 emissions, addressing our operations, working with our supply chain and customers (see **pages 58-59** for progress and plans for FY24 onwards).

We will continue to regularly review physical risks across our sites recognising potential for different impacts across different geographies, 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. So 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. We have developed a climate resilience "resource hub" for key internal stakeholders and have been adding content and providing regular updates in the community group and will use new stakeholder groups such as our Environment Council.

During FY23 we have acquired new businesses: Avantus with offices in the US and Air Affairs, with locations in Australia. Our focus in FY24 will be to undertake climate resilience reviews of these new parts of the QinetiQ Group. We will also be exploring how we can further include aspects of Net-Zero and climate resilience as part of our mergers and acquisitions (M&A) approach.

Integrating/embedding into risk management
Our risk management and control framework enables us to effectively identify, assess and manage risks, and climate change is featured within our principal risk register. We have based our approach to climate risks on our existing risk management methodology, to ensure that we are embedding it into our existing processes (see **page 75**).

We recognise the importance of continuous improvements and based on feedback, in FY24 we are running a climate change workshop for our procurement community 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. We will also be looking at how we can share learning and guidance across site teams in FY24. As part of our regular review cycle of our policy and procedures, in FY24 the new Environment Council will be reviewing our Group policy to ensure that we have established and maintained 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 55: Net-Zero targets Page 55: Validation of targets Page 138: Leadership incentives Page 51: Non-financial KPIs
b) Disclose Scope 1, 2, and if appropriate, Scope 3 GHG emissions and the related risks	Page 56: Scope 1 and Scope 2 GHG emissions Page 56: Intensity ratio Page 55: Scope 3 GHG emissions Page 56: Energy consumption
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Page 80: Risk management Page 60: Waste target Page 54-59: Net-Zero plan

Metrics and targets

A key part of addressing the risks of climate change is to transition our business to Net-Zero and so key metrics are associated with our GHG emissions.

- Over the years we have set a number of reduction targets and reported progress in the annual report.
- In FY21 we introduced Scope 1 and Scope 2 GHG emissions as one of our five non-financial KPIs (see **page 51**).
- As part of our Net-Zero plan, published in March 2022, we introduced new targets and have committed to near-term and long-term targets across our value chain (see **page 55**).
- We submitted our full set of Scope 1, 2 and 3 GHG emissions targets (near-term and long-term) to SBTi in January 2022, and received confirmation of validation by SBTi in June 2022; we were one of the first companies to achieve this (see **pages 54 and 55**).
- We have a waste reduction target (**page 60**) and plan to further develop this in FY24.

Disclosure of Scope 1, 2 and 3 emissions

- We have disclosed our Scope 1 and Scope 2 GHG emissions in the annual report and accounts for a number of years.
- FY23 Total Scope 1 emissions of 13,360 tCO_2e and Total Scope 2 emissions of 11,358 tCO_2e have been subject to independent limited assurance procedures (see **page 56** for details).
- We publish our intensity ratio by revenue of 16 (**page 56**).
- We also disclose our energy consumption (**page 56**) in line with SECR requirements.
- In FY22 we published our total Scope 3 emissions for the first time in the Annual Report and Accounts. We have published our latest Scope 3 emissions on **page 55** (269 kt CO_2e for FY22).
- Annually we publish a Carbon Reduction Plan on our website, in line with UK Government Public Procurement Notice (PPN) 06/21, which includes Scope 1, Scope 2 and aspects of Scope 3.

www.qinetiq.com/en/our-company/sustainability/climate-change

Our Net-Zero plan identified how we will address the reduction emissions through four initiatives and we describe the progress against these plans on **pages 58 and 59**. 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 80**. We also describe on **page 55** the challenge of Scope 3 data and the approach we are taking to address this.

We have been exploring the requirements and guidance of the Transition Plan Taskforce, and will be engaging with key stakeholders to develop a transition plan which builds on our published Net-Zero plan.

Targets used and performance

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 54-59**.

On **page 56** we have reported a 30.5% reduction in our Scope 1 and Scope 2 emissions against our FY20 base year towards our target of 50% reduction by 2030.

In FY23 we introduced Net-Zero into our leadership incentive scheme and for FY24 this will be aligned with reduction in Scope 1, Scope 2 and aspects of Scope 3 emissions (**page 138**).

We currently have a waste target where we have been tracking the improvements to recycling and diversion from landfill (**page 60**). We will be reviewing this target in FY24.

Sustainability continued

Social

Our people play a critical role in what makes our Company a great place to work. So we want working at QinetiQ to feel inspiring, for our people to realise their full potential and feel recognised for their contribution. It is also important to us that we have a positive social impact in the communities in which we operate.

Our people and communities

Our employee offering framework features six areas of focus: Safety & Wellbeing; Responsibility & Sustainability; Diversity & Inclusion; Adaptability & Flexibility; Learning & Development; Reward & Recognition – with our purpose, values and behaviours at the heart.

This year we have focused on embedding our employee offering by investing in and promoting the many advantages of working at QinetiQ, and actively demonstrating what our people can expect in return for the contribution they make towards our success.

As well as ensuring our people are familiar with our employee offering, we have refreshed how we communicate externally to promote QinetiQ as an employer of choice on our Career Site and via social media.

Safety and wellbeing

Safety

We are creating a safe and secure environment for us all to thrive, sharing expertise and knowledge across our whole Company and strengthening the positive impact we have on health and safety. Across the Group, we have seen a steady decrease of our Lost Time Incident (LTI) rate[1] from 2.05 in FY22 to 1.20 in FY23.

Lost Time Incident (LTI) Rate[1]

FY23	**1.20**
FY22	2.05
FY21	2.67

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

The LTI rate is one of our five non-financial KPIs (see page 51).

In FY22, driven by a desire to continuously improve our safety culture, we launched our Group-wide Safety Improvement Programme (SIP)and in FY23 appointed a Group Director Safety Excellence and Assurance. The SIP is based on feedback from employees across all our global sites and focuses on six core safety areas: culture; organisation; competencies; governance; processes; and technology. Working in partnership with dss+ (previously Du Pont Sustainable Solutions), the programme continues to deliver and we have:

- Enhanced our environment, health and safety incident management process to enable greater insights into safety performance data for the purpose of corrective and preventative action.
- Designed a new suite of global safety key performance indicators for improved safety performance measurement across the organisation.
- Launched a training and coaching programme to upskill our leaders in the areas of visible, tangible safety leadership and effective safety role modelling.
- Introduced a safety maturity assessment for our operating sectors to use throughout the year to measure the maturity of their safety culture.

As we make further improvements we are continuing to engage with our employees and dss+ and will undertake a follow-on global safety culture survey across all our sites. Underpinning our safety commitment and drive for effective safety role modelling, our leaders continue to have a common goal for safety as part of their leadership incentive scheme (see **page 138**).

In FY23 we received a safety prohibition notice from the Health and Safety Executive (HSE) as a result of the removal of explosive items from packaging in explosive magazines at the MOD Boscombe Down site. An investigation and appropriate actions are now completed.

“As an early adopter of YuLife, I’ve been using the app for a couple of months and I am really enjoying it.

It is easy just to spend all day in the office or at home, sat at my desk, so it’s a helpful prompt to remind me to get out and take a break.

The need to complete quests appeals to my competitive side and is encouraging me to do a bit more exercise!”

QinetiQ Employee

Wellbeing

Our wellbeing strategy focuses on the five pillars of physical health, mental health, personal growth, working environment and financial wellbeing. The wellbeing team partner with our colleagues in the SIP to support our safety culture and have established a jointly chaired Wellbeing Steering Group. We have been gaining insights from employee focus Group events in the UK, the US and Australia which will allow us to develop meaningful and impactful learning interventions for leaders, managers and our people in respect of psychological safety. Last year we continued to develop our global wellbeing offering by:

- Launching the YuLife service and mobile app for our UK employees, which encourages healthy habits and activities to support wellbeing.
- Hosting multiple financial wellbeing webinars.
- Introducing the QinetiQ Hardship Fund.
- Running regular wellness webinar events in the US.
- Utilising the Personal Development Fund as an enabler for employees to understand the benefit of development linked to their personal wellbeing.

Sustainability continued

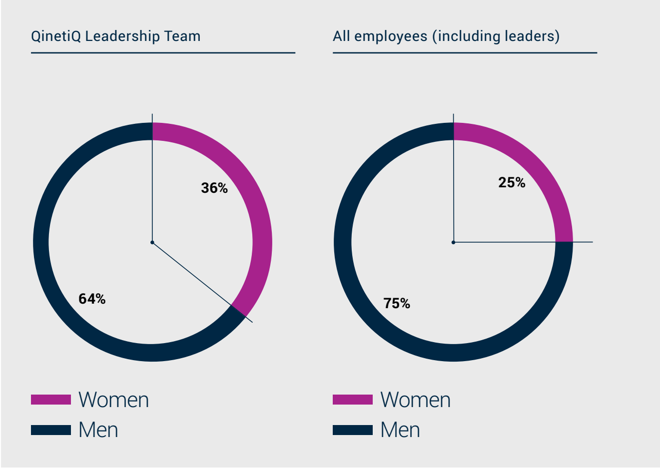
Our focus in FY24 will be to address three priority themes that were identified through engaging with our people:
- **Leadership of wellbeing**: Provide managers with the tools and skills to proactively identify poor mental health and how to have supportive conversations with their teams.
- **Workload and stress:** Support all of our people through new resources on psychological safety (including identifying poor mental health), how to build personal wellbeing strategies which support sustainable ways of working and our mental health and how to seek support where it is needed.
- **Financial wellbeing**: Continue to provide support for financial wellbeing via educational campaigns and awareness of our QinetiQ Hardship Fund and undertaking a review of both our global Employee Assistance Programme and benefit offerings.

Diversity and inclusion

Advancing Diversity & Inclusion (D&I) is both a business and a social imperative. Our commitment centres on the success of our people and our ability to attract and retain the best talent in order to deliver for our customers. We aim to build a workplace that is inclusive, where our differences are not only embraced but make us stronger. Our focus in FY23 has been across three key themes: awareness of the importance of inclusion and diversity, inclusive leadership, and employee inclusion and belonging. Some of the key achievements we have accomplished this year include:

- Holding a number of global awareness campaigns including: dyslexia; mental health; Women in Defence; psychological safety; Black History Month; International Men's and Women's days; hormonal imbalance; Pride Month; disability; and domestic violence.
- Continuing to build D&I training and resources for all employees.
- Holding neurodiversity awareness sessions across the UK with more than 1,000 people attending.
- Maintaining D&I as part of our global leadership incentive scheme, with leaders delivering 918 interventions across the Company.
- Participation in the KPMG Cross Company Allyship Programme, supporting mentees from Black Heritage and Ethnic Minority backgrounds.
- Ensuring employees are aware of the channels through which they can raise concerns including: Speak Up confidential reporting (see page 73), Global Employee Voice (GEV) and Workday Peakon engagement survey.
- Winning a number of awards, including one of our female employees receiving the Women in Defence Award 2022, in the category of Resolute Spirit, recognising steadfast spirit to persevere while overcoming real adversity.
- Increasing indigenous representation in Australia's Early Careers programme.
- Running a fifth cohort of our global reverse mentoring programme, inspiring partnerships between junior and senior employees.
- Recipient of the 2022 HR Australia Excellence awards for Best Flexibility Program and Best Graduate Development Program, this program also won the 2022 Australian Defence Industry Award for Best Training & Mentoring Program.
- Participation in FTSE Women Leaders Review, reporting improved female representation in our Executive Committee plus direct reports, from 27.2% in FY22 to 27.8% in FY23.

This has all been supported through our seven employee-led networks and our D&I champions, a number of which are sponsored by members of the QinetiQ Leadership Team. These groups provide visible leadership and direct engagement to ensure employees feel that their differences are valued and represented.



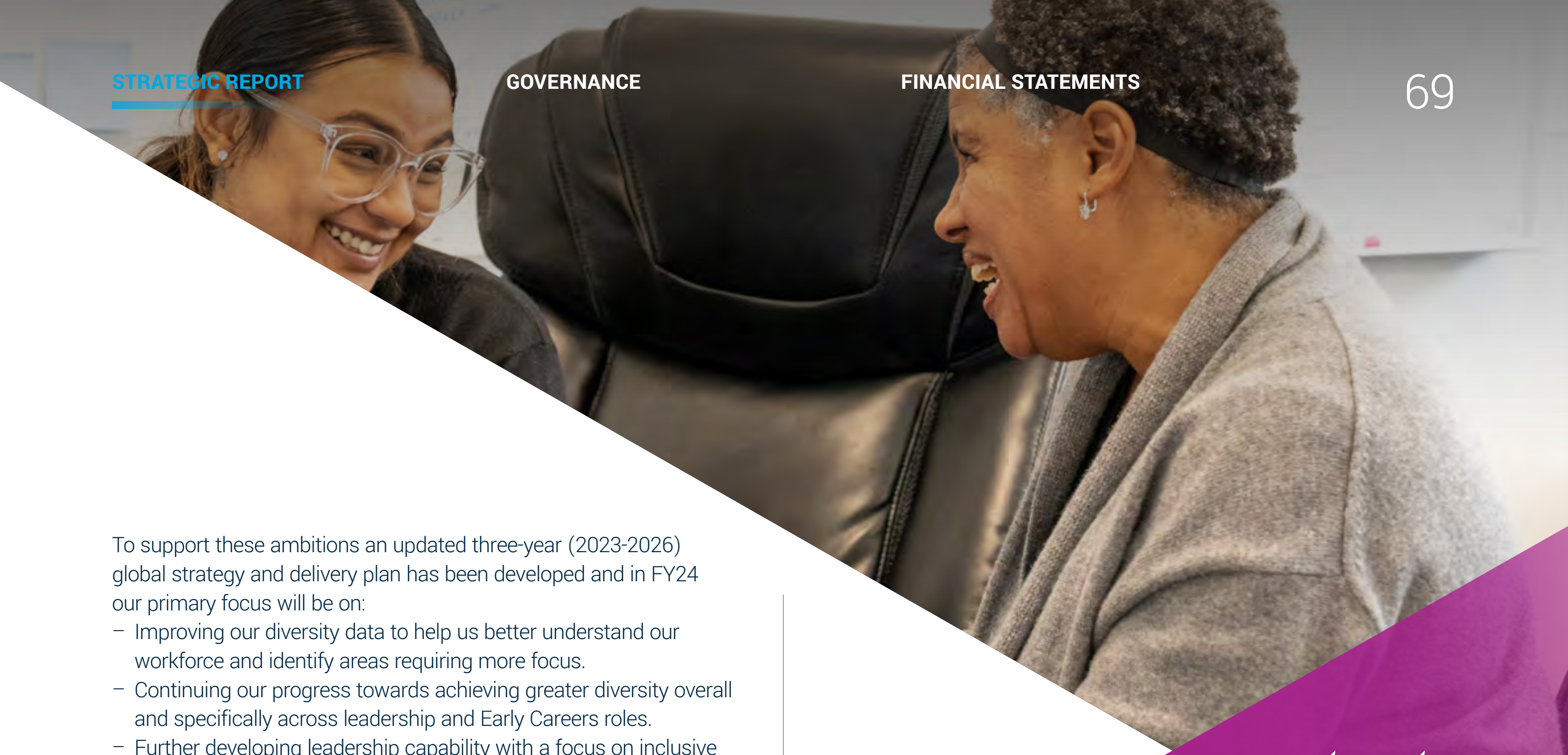
In FY23 we have expanded the range of our gender pay gap from just QinetiQ Limited, and our latest report now includes key UK subsidiaries. QinetiQ Limited reported a reduction in its gender pay gap from 12.6% in 2021 to 11.3% in 2022 and Inzpire Limited had a gender pay gap of 28.6% for 2022, so the overall UK gender pay gap has increased to 12.9% for 2022.

Gender balance data

	FY23		FY22		FY21	
	Female	Male	Female	Male	Female	Male
Board Directors[1]	**3 (33%)**	**6 (67%)**	4 (44%)	5 (56%)	3 (37%)	5 (63%)
Senior managers[2]	**57 (19%)**	**244 (81%)**	59 (20%)	240 (80%)	57 (19%)	239 (81%)
Other employees[3]	**1976 (25%)**	**5989 (75%)**	1478 (22%)	5136 (78%)	1,447 (22%)	5,145 (78%)

1 For more information on Board diversity see page 116.
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, the CEO and the CFO.

We remain focused on progressing our D&I agenda, appointing a new Group Culture, Diversity & Inclusion Lead to our Global Employee Experience Team as part of our wider focus on improving employee experience and engagement. In addition, in the US, we have appointed a Director of Diversity, Equity, Inclusion & Belonging. In FY22 we set a global target of 30% women by 2030. In preparation for our next strategic phase, recognising that gender diversity is just one area of focus, we have revised and broadened our D&I ambitions to include progress towards greater ethnic diversity at all levels of the organisation and increasing representation of women and ethnicity in leadership roles and Early Careers programmes. This ensures our efforts are focused on developing a broader pipeline of talent both in leadership and those starting their career. We recognise in the US, 36% of our employees have self declared as black heritage or ethnic minority. This gives us a place to build on across the Group.



To support these ambitions an updated three-year (2023-2026) global strategy and delivery plan has been developed and in FY24 our primary focus will be on:

- Improving our diversity data to help us better understand our workforce and identify areas requiring more focus.
- Continuing our progress towards achieving greater diversity overall and specifically across leadership and Early Careers roles.
- Further developing leadership capability with a focus on inclusive leadership and engaging with our people to ensure all employee voices are heard and action is taken to respond to build an inclusive environment in which our people can thrive.

Employee engagement

This year we made a conscious choice to take a step change in our engagement approach, rebalancing our focus on our people through purposeful investments in our employee offering alongside greater emphasis on what is impacting our colleagues around the world, for example the cost of living, Adaptive Working, and skills development. Critical to all of our people is feeling valued and engaged, ensuring that the employee voice is considered. 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 Chairman and Board members during the year (see **page 106**). In FY23 the GEV demonstrated that feedback has been listened to and is helping to shape our actions through supporting a number of changes, including the significant investment into our employee offering, support for cost of living, the introduction of financial wellbeing webinars, and the implementation of the QinetiQ Hardship Fund.

Our Adaptive Working approach and our global operating model means that we need to communicate with 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. To further our commitment of listening to employees we have a global Site Champion network, who focus on creating a sense of community, and our Speak Up programme (see **page 73**) provides our people with a number of ways to seek advice or raise any concerns they may have. In addition, 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 engagement is one of our five non-financial KPIs, reflecting its importance to our business strategy (see **page 50**). We adopt a continuous listening approach, using the Workday Peakon employee engagement platform, which means we benefit from 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.

> It is an incredibly rewarding position. I'm lucky to be able to interact with so many amazing people from across the entire Company. I have the support of an incredibly enthusiastic group of volunteers and together we help shape change for the better across the Company."
>
> **Paul Dorsett,**
> **Global Chair of the GEV**

We measure engagement quarterly and continue to see a good level of participation (69%), similar to FY22 (71%). This year we have seen an increase in the overall engagement score from 7.1 (out of 10) in FY22 to 7.4 in FY23; the highest we have achieved as a Group since implementing this engagement approach. Employees highlighted that areas of strength are: communication of strategy; workload; flexibility; learning; and having the opportunity to develop their career.

Sustainability continued

Employee engagement continued

Our people also tell us that they value our Adaptive Working approach and the ability to balance work and personal commitments. In FY23 we demonstrated that feedback through the GEV and Peakon has been listened to and is helping shape our actions. This included the significant investment into our employee offering, with support for the cost of living, more opportunity for learning and development, and improving our ways of working. Our voluntary attrition was 14.3% in FY23 compared with 13.8% in FY22, (noting that our number may be affected by our two major acquisitions) with some hotspots in the US and Australia.

The focus in FY24 will be on evolving our employee offering, creating choice and meeting the diverse needs of our people with emphasis on reward, equipment provision, and ensuring a good match between organisation and individual values. We will focus on listening to feedback, taking action to respond and continuing to explore how we can make the best of our investment, enabling us to attract and retain talented people who are proud of what they do.

Our QinetiQ Leadership Community (QLC) was created this year to connect our senior leaders globally, strengthening collaboration through shared purpose, knowledge, experience and learning. The inaugural QLC conference was held in Washington DC, US in July 2022, providing the opportunity for leaders to develop our approach to delivering our strategy and goals. Regular virtual events have been held throughout the year providing opportunity for strategic and financial updates, spotlights on specific topics and dialogue about our priorities. This focus will continue in FY24 to ensure we build on this collaborative approach, working across teams and geographies, to create value for our customers, people and shareholders.

Adaptability and flexibility

Over the last few years we have learnt a great deal about how to adapt to different working environments and situations. Our Adaptive Working approach, in place for just under two years, is an important part of our employee offering and is a key differentiator in the market. It empowers us to make decisions about where, when and how we work, so that we can achieve the most effective outcomes for our customers, while retaining the benefits of work/life balance, greater flexibility and more focus on safety and wellbeing. In FY23, we looked to maximise the value of this approach in our overall employee offering. For example, we implemented a global Site Improvement Fund for investing in creating an engaging on-site workplace for our people. We are introducing options for different working patterns such as a 4.5-day week or 9-day fortnight in the UK in FY24. This follows the successful launch of similar flexible working approaches in our Australian and US Sectors.

Learning and development

We are a people business and our skilled scientists and engineers are at the heart of our customer offering, so we actively promote and support skill development for our people. Our philosophy is to enable development through a combination of live and virtual training, self-led learning, on-the-job experience and by providing access to resources and toolkits. This year we continued to grow our digital learning capability to help more people access learning faster, improving productivity and reducing the costs associated with face-to-face, external training courses. We have been building digital capability and on-boarded a new digital learning experience platform (Q Skills), which is currently being utilised for the Test & Evaluation Sovereign Skills Programme (TESSP). This allows us to host bespoke QinetiQ-created content and develop learning paths for specific communities. It also enables self-directed learning and participants can explore a wide range of skills-based content relevant to their needs. Our learning portfolio continues to develop and in FY23 we have focused on improving access to training through our managed learner service, and internally developing new content for our UK Team Essentials and Leadership programmes. With personal development, people can realise their capabilities and their potential, thrive at work and achieve goals associated with their role. As part of our investment in our employee offering, we prioritised this as an area for improvement, providing all of our employees across the globe with access to a Personal Development Fund. This fund has provided every employee with the choice on how to drive their ongoing professional growth and skills development to enrich their careers. It has proven to be a success with over 5,000 individual bookings across a wide range of development opportunities.

With a focus on our technical community, we have:
- Welcomed five new Fellows, three new Senior Fellows, and promoted one Fellow to Senior Fellow. Our Fellow programme recognises the expertise, achievements and impact of our global technical, scientific, engineering and business experts and leaders.
- Launched Fellows and Futures aimed at connecting our global Technical Community with colleagues in their early or mid-career providing mentoring and collaboration and driving innovation through diversity of thought, experience and perspective.
- Continued encouraging learning and professional development of our Technical Community, through quarterly engagement sessions and an annual face-to-face event, enabling them to contribute to innovation, shape our strategy, build links with academic institutions and partner companies, and develop and mentor the next generation of scientists and engineers.

Additionally, this year we looked to leverage our skills and expertise globally through the TESSP. QinetiQ has developed an innovative knowledge transfer and development programme, capturing and codifying existing UK knowledge and expertise in order to build a blended and engaging learning programme that upskills individuals and creates capability in Australia. The programme provides participants with the opportunity to upskill and work alongside and be mentored by our global Test & Evaluation experts at the UK MOD's world-class air, land and maritime environments. This approach equips participants with the technical, behavioural and leadership competencies to be leaders in the Test & Evaluation field, investing in both our people and long-term business growth. The first participants arrived in the UK mid-February 2023 for a three-month experiential learning period at MOD Aberporth, MOD Shoeburyness and Winfrith.

In FY24 we are focused on:
- Developing and delivering Leadership Development interventions as part of the wider transformation programme in creating the culture for our next phase of growth.
- Developing a plan to embed the Group Strategic Resourcing and Strategic Workforce Planning framework and market implementation.
- Collaborating with our Sectors to understand how they approach learning and development and create consistency in areas such as coaching, mentoring, induction, management and development.
- Focusing on career growth and skills development through continued investment in the Personal Development Fund and our talent management approach.

Early Careers

Our Early Careers approach across the Group provides a rich and rewarding learning experience for individuals as they start their career with us. Demonstrating our commitment to Early Careers is one of our non-financial KPIs (see **page 51**).

In the UK we focus on graduates and apprentices, as well as Year in Industry students and summer placements. 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. We continue to focus on ensuring our Early Careers community are involved in meaningful work, with access and 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.

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. 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 continue to make progress towards this and commit to publishing a breakdown of our UK Early Careers community (see table below) including the percentage they comprise of the UK workforce.

UK	FY23	FY22	FY21	FY20
Apprentices	85	53	72	67
Graduate Programme	128	105	98	50
Sponsored Students[1]	26	24	24	2
% UK Workforce[2]	4.2	3.3	3.6	2.3

1 includes 8 week paid work experience and Year in Industry placements.
2 UK workforce is 5,672.

We do not include reskilling numbers in this table; the number of experienced employees using apprenticeships to reskill was 39 and covers a number of different disciplines (e.g. Human Resources, engineering etc.).

In Australia, we had 26 graduates on our 18 month graduate programme (this includes two cohorts). And we have a further 35 people participating in Early Careers programmes, including within our new aquistion Air Affairs. As we continue progressing our Indigenous Reconciliation Action plan, in the last 12 months we have increased the number of dedicated traineeships and apprenticeships for Indigenous Australians. We were proud to win "Graduate Program of the Year" in the Australian Defence Industry Awards for a second consecutive year and be awarded and an Excellence Award for "Best Graduate Development Programme" at the 2022 Australian HR Awards.

Reward and recognition

Reward & Recognition is key to our people strategy and an important part of our global employee offering. Our approach is designed to enhance our employees' wellbeing and incentivise both collective performance and individual contribution; enabling us to make choices about what works best for ourselves and for our families. 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 FY23 paid £1,250 to each employee.
- We continue to invest in Pay & Progression, addressing market anomalies and managing in-year role and grade progression, with an investment of £1.8m in FY23.
- Through Thank Q, our global recognition scheme, we celebrated 3,386 individual people and 1,140 teams, with 5,152 awards.

Sustainability continued

Reward and recognition continued

Recognising the cost of living challenge, in October 2022 we made a significant investment in a range of improvements to reward and benefits. This extensive package included increases to salaries, commitment to deliver above the real living wage, and creation of the QinetiQ Hardship Fund. We also made market improvements for our Global Grade 13 and 14 population (mid-level managers), by extending our Leadership Incentive Scheme. In June 2022 we once again celebrated the contribution of our people at our Global Recognition Gala. Bringing together colleagues at live events in Australia, the UK, and the US, as well as virtually from Germany and Canada, we recognised 145 people, via 47 awards in eight categories. In addition, the Project Vampire team were recognised with the Outstanding Achievement award for their work in facilitating the launch of a Banshee Jet 80+ from the deck of the Royal Navy's HMS Prince of Wales aircraft carrier for the first time, off UK waters.

Looking forward to FY24, we plan to continue our investment in our employee offering. We will be focused on ensuring we continue to embed our Employee Offering enhancements and evolve in response to the market and employee feedback as well as in support of enacting our long-term strategy driving sustainable performance. Our leaders will continue to be incentivised for their collective contribution to non-financial KPIs, specifically around the areas of safety, employee engagement and Net-Zero (see **page 138**).

Responsibility and sustainability: community impact

Volunteering

At QinetiQ we focus our volunteering efforts in three key areas: skills-based; environmental; and STEM (Science, Technology, Engineering and Maths) outreach, through which our employees provide real-world experiences to inspire the next generation of scientists and engineers.

We have a network of STEM outreach leads in the UK and Australia who support our volunteers. Across our UK sites we've engaged with approximately 8,000 children, supporting approximately 60 schools and youth groups. We value the expertise of partners; for instance, in the UK we are working with the Jon Egging Trust in continuing to understand the needs of young people, and we co-created an interactive workshop on the value of apprenticeships. During FY23 we launched our first virtual work experience and ran a series of STEM outreach events, including our annual Powerboat Challenge at our site in Haslar. Our annual support for International Women in Engineering Day resulted in a global awareness campaign and a large event for five schools with 60 young women and 10 teachers participating.

Environmental volunteering has provided opportunities for teams to make a difference and contribute to conservation initiatives while building their understanding of conservation, biodiversity and climate change. We also recognise the significant wellbeing benefits that this brings with the opportunity for connection, fresh air and for learning.

Charities

In addition to volunteering, we continue to support a number of charities. During FY23 in the UK we completed our three-year partnership with UK Defence charity SSAFA and continued our relationship with the Jon Egging Trust. In Australia, we partnered with Legacy, a charity focussed on supporting the families of Defence Veterans and raised A$15,000. In Canada, we've donated to Ottawa Food Bank and Root Cellar. In the US we supported Our Military Kids, whose mission is to recognise the children's service and sacrifice, by providing grants for extracurricular activities.. Please see our website for more information: **https://www.qinetiq.com/en/our-company/sustainability/community-investment**

In FY24 we intend to continue to grow our volunteering, focusing on creating positive impact in our communities.

Our defence partnerships

We have always been passionate about supporting our Armed Forces community, including veterans, as we believe that having Service Leavers and Reservists within our Company greatly enhances how we connect with our key customers. In 2016 we were awarded Gold Award status by the UK Ministry of Defence (MOD) in their Defence Employer Recognition Scheme. This recognises UK employers who demonstrate a commitment to Defence by proactively supporting the Armed Forces community and inspiring others to do the same. 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 (QVRN), 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 will be published later in 2023.

In the US, we have an Outreach programme for Veterans through Circa and Military Offices Association of America and participate in military hiring events through Recruit Military and Corporate Grey. We contribute to the Virginia Veteran Values (V3) Program and have been participating 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. We are also signatory to the Prime Minister's Veteran Employment programme.

QinetiQ receiving the UK MOD Defence Employer Recognition Scheme Gold award from Major General Swift.

Governance is a critical pillar, supporting us in how we deliver business responsibly and sustainably. It is linked to our corporate governance section.

Governance and leadership of ESG

Our approach to ESG 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 across the business, and provides regular papers and briefings to the Board. These cover all material ESG issues, including ESG strategy, climate change, stakeholder engagement and reporting, ethics, Speak Up, D&I and community (see **page 102**). This provides oversight of our approach, including progress against programmes and plans.

In FY23 we introduced a new ESG Steering Committee, chaired by our Group CEO, meeting monthly. We have also launched new Functional Councils to support aspects of our business, providing additional focus on safety, people, and environment as well as risk and assurance, and governance. **pages 88 and 89** detail our policy and assurance approach.

The ESG strategy forms part of our ISBP (the five-year plan) and includes longer-term plans e.g. our Net-Zero plan with targets to 2030 and 2050. We continue our goal to embed ESG into our strategy and our day-to-day business. ESG factors are linked to the non-financial element of our leadership incentive scheme, and this continues to evolve; the FY22 focus on engagement, D&I, safety and security was expanded in FY23 to include climate change.

In FY24 we will mature the role of the Functional Councils and further drive change through the leadership incentive scheme, which will be more strongly aligned with our Net-Zero target.

Business ethics, doing business the right way

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. In FY23 we worked with the Institute of Business Ethics to gain an independent, expert perspective on our Code of Conduct. Their feedback was very encouraging and we have used their advice and updated and published the 2023 version of the Code, which 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 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, both published on our website (see above).

Sustainability continued

Business ethics, doing business the right way continued

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 ethics training. We have improved how employees can find and access Speak Up contact details, launching a new highly visible button on the homepage of the Global Portal (our Group Intranet). 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 108**).

Our Business Ethics Committee, chaired by our Chief Ethics Officer (the 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 FY24 will be to continue to promote and raise awareness on Speak Up.

Anti-bribery and corruption

Our anti-bribery and corruption (ABC) programme is designed to support our people and business partners to demonstrate the highest standards of ethical conduct within all jurisdictions in which we operate. Our zero-tolerance approach to bribery and corruption in any form is explicitly stated in our Code of Conduct, which provides a decision tool to support ethical decision making, helping us to operate our business responsibly and maintain the trust of our stakeholders. This is supported by the provision of practical guidance through our ABC training, which includes challenging scenarios to help our people know what to do if they were to come across issues such as bribery and fraud.

Our Group-wide ABC procedures include measures and guidance for our people to assess risks, understand relevant laws and speak up about concerns. We identify and assess any exposure to bribery and corruption risk when engaging third parties, and these risks are subject to on-going monitoring and periodic updating. We have enhanced ABC procedures for the appointment of Commercial Intermediaries, including the use of external third-party due diligence, with all appointments and renewals subject to Group CEO approval, with increased reporting requirements for all payments made to Commercial Intermediaries overseen by the Board. We take a continuous improvement approach to enhancing our ABC programme, acting upon findings from our internal assurance programmes, engaging with industry peers and seeking feedback from our people.

Human rights and modern slavery

As part of our ongoing programme to address 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 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 the homepage of our website. 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 third-party confidential reporting mechanism 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 (see **page 89**). 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 FY24 we will continue to make progress against our modern slavery action plan and we will be reviewing and updating policy to support our approach to human rights.

Working with our supply chain

Our supply chain is an extension of our own Company. We ensure that our suppliers are committed to the same standards of safety, security, sustainability and governance as we are.

Working in collaboration with wider industry, we foster and develop ecosystems which draw together supplier, academia and third sector communities to answer complex science, social, engineering and technology challenges, supporting 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.

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 FY23 we ran events on modern slavery and on SME engagement. We also continue our work with the Aerospace and Defence Procurement Group (ADPG) and JOSCAR (an industry collaboration).

We have a Sustainable Procurement Guide for our suppliers and have updated our supplier Code of Conduct. Both documents are available on our website:
www.qinetiq.com/en/our-company/suppliers-and-smes

Recognising the cost of living crisis, we understand the importance of cash flow for our suppliers. As signatories to the UK Prompt Payment Code, we report our payment performance as required by UK legislation. We have brought down and standardised our UK payment terms to net 30 days. We are also seeking accreditation from the Real Living Wage Foundation which applies not only to our workforce but also to our supply chain.

In FY24 we will continue to develop our approach to sustainable procurement and run further Collaborate events.

Risk management

Our approach to identifying and managing risks

How we protect our business

Effective management of current and emerging risks is critical to achieving our strategic goals. Our Chief Risk Officer (CRO) holds responsibility for risk management across the organisation, ensuring the provision of risk expertise and support to the Sectors and Functions. The CRO is also responsible for reporting risk information to the QinetiQ Leadership Team, the Board and its Audit and Risk & Security Committees.

Risk processes cannot operate in isolation and, like safety and security, must engender a supportive and robust culture to enable effective risk-based decision making. Our Group-wide global risk management framework supports and develops a positive risk culture that spans strategic to operational levels, exploiting both a top-down and bottom-up approach. Our culture and embedded risk management processes, combined, result in a stronger and more resilient organisation in the face of challenges. Managing threats and optimising opportunities to support the long-term success of our business is an established part of the way we conduct business. Continual cycles of review and improvement of our risk maturity keep pace with a growing business in a complex industry; to ensure we are best placed to deliver results, while simultaneously innovating for our customers' advantage.

Principal risks

The Group Risk Register consists of material risks relating to both the effective delivery of our strategy and those risks which may have a material effect on our stakeholders, partners and environment. The Board and QinetiQ Leadership Team assess these principal risks from a number of different perspectives, both individually and collectively. The Board recognises that some risks may be affected by factors outside the control of the Company and that despite the robustness of the risk management processes they cannot provide absolute assurance and unknown risks may manifest without warning. We have well-established processes in place to rapidly deploy appropriate management in these situations, and utilise lessons learned across the organisation as part of our ongoing drive for continuous improvement.

The Organisational Design process necessitated a refresh of the mechanisms and approaches to risk management and presented an excellent opportunity to perform a complete refresh of our Principal Risks. The key change to Group Risk Management has been to reflect the maturity of our US and Australia Sectors. As established Operating Sectors, they both manage and report risks in the same way as our UK Operating Sectors, removing the legacy risks associated with the US and International businesses; which were reported as Principal Risks in FY22.

The invasion of Ukraine, current geopolitical landscape and enduring impacts of Electrical and Electronic Equipment (EEE) component shortages have affected a number of our principal risks. Our UK Strategy risk has been retired as a Principal Risk from our Group Risk Register following our growth in other territories and the re-focus on the need for the UK to meet a dynamic range of defence threats that QinetiQ is able to support.

Innovation is ubiquitous across QinetiQ. It is fundamental to everything that we do. As such, it is not something that could fail across the Group. We chose to retire our Innovation Principal Risk in favour of making it a key consideration for all of our other risks; to make sure that we have considered the effect that innovation has on our risks, and how our risks could affect the way we innovate across the Group.

Our final tailoring measures were to increase focus on the integration of our acquisitions, emphasise the digital and data elements of the digital transformation and the splitting of our People Principal Risk into Strategic Workforce Planning and Culture risks, to enable us to target each more effectively.

Emerging risks

We define emerging risks as newly developing or changing risks, where the extent and implications are not yet fully understood. These risks are identified and managed using the same established risk management framework as our Principal Risks and are included as part of our strategic planning process to ensure we capitalise on the opportunity and minimise the downsides they present. Where appropriate we establish 'Working Groups' to monitor and scrutinise the potential impacts of the emerging risks and ensure relevant mitigation actions are undertaken at pace. We also consider the wider impact of emerging external risk, for example where a risk creates challenges for our customers it may create an opportunity where we have well-aligned capability to further support them.

As part of our Strategic Review, we undertook an extensive survey of industry insight, competitor analysis and best-practice advice to challenge our Principal Risks from an external perspective.

Our ongoing programme of Safety Improvement has given us a clear picture of our exposures and the work streams we will undertake in order to continually mature Safety for our employees, supply chain and customers. This enables us to clearly articulate and target Health and Safety as a Principal Risk; giving it appropriate priority. QinetiQ has a holistic approach to Security risk, based on four interlocking pillars of physical, people, information and cyber. During our refresh process, it was felt necessary to separate out cyber as a Principal Risk due to its prevalence in the work that we do and the context we operate in.

Supply chain pressures from component availability, global financial volatility and acquisition investment that QinetiQ has made this year means that it is prudent to manage Macroeconomic Volatility as a Principal Risk. The volatility in the current macro-economic environment has allowed us to reconsider this as a principal risk. In addition to keeping abreast of trends and changes by leveraging of our internal capabilities and external reserves and advisor network. The cost of living crisis has been pro-actively managed by the People and Rewards team with financial reward adjustments to protect our employees, so is not a Principal Risk at present.

The legacy of COVID-19 is evident in our supply chain and the more flexible way we approach on-site working. It is not a Principal Risk in itself, but we have grown our Group Business Continuity Management capability in order to enhance our resilience against the risk of future material disruptions.

Risk management continued

Risk management and assurance activity

Three Lines Model

Our risk management and assurance activity follows the established Three Lines Model with the first and second line reporting to the QinetiQ Leadership Team and Board, and the third line dual-reporting to the relevant Board Committees. The first line is performed by operational management, who own and manage compliance in accordance with the QinetiQ Operating Model; the second line is performed by independent, assurance and risk functions; and the third line is performed by the Internal Audit team and external assurance providers.

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

Second Line

- Perform 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

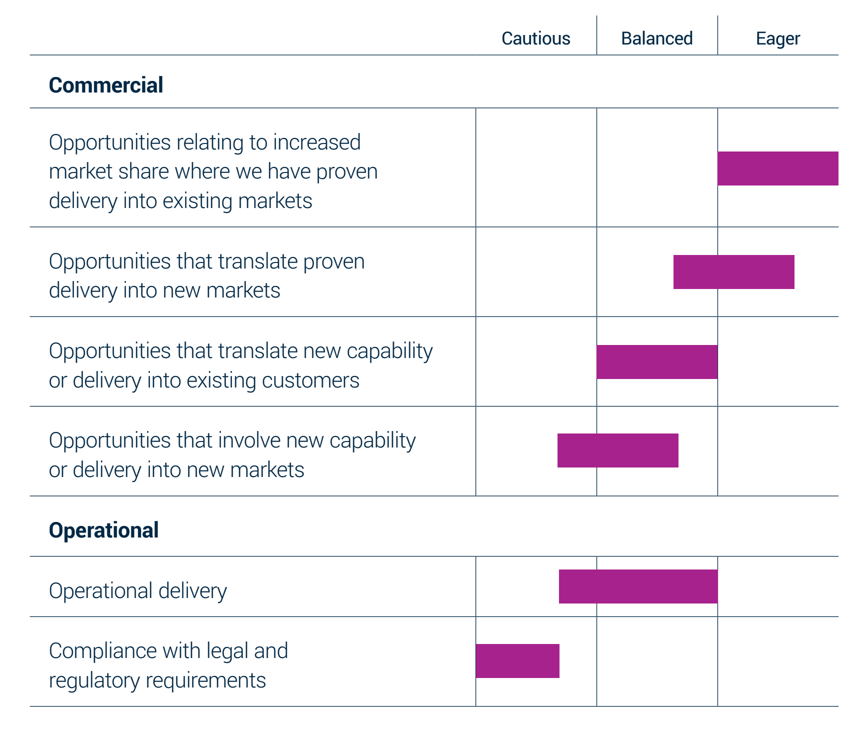
QinetiQ risk appetite

The Board identifies and reviews its tolerance to risk by establishing a clear risk appetite and setting appropriate delegations of authority to the executive and senior leaders. We focus on those critical risk areas necessary to achieve our strategic goals. Risk appetite is articulated by defining three categories which balance scrutiny and mitigation activity against likely benefit:

Cautious
Avoidance of uncertainty – with negligible or low residual risk. Applying innovation prudently where the risks are fully understood.

Balanced
Preference for delivery options that have a low or moderate degree of residual risk. Applying innovation only where successful delivery is likely.

Eager
Willing to consider delivery options with greater inherent risk and eager to be innovative.



Strategic risks

UK large contract renewals

Risk	Impact	Mitigation	
A material element of the Group's revenue is derived from large UK Government contracts which are set to expire over the next five years to 2028. These include the 25-year Long Term Partnering Agreement (LTPA), the 10-year Engineering Delivery Partnership (EDP), and the 5-year Weapon Sector Research Framework. QinetiQ could be unsuccessful in its efforts to renew these contracts or secure a leading position in future versions of them.	These large contracts and framework positions contribute a material proportion of the Group's revenue and earnings.	Performance excellence against current contract deliverables, and a deep appreciation of why and how we have to evolve our offerings to deliver resonating customer value now and into the future. This is certainly the case across our two largest UK contracts, the LTPA and EDP. We are investing significantly into the LTPA capabilities to ensure they remain relevant and modern. The investment portfolio is agile to changing customer needs and technological advances to ensure we remain at the cutting edge of Test, Trials, Training, and Evaluation (T3E). Since transitioning to fully output-based delivery on the LTPA in 2019, we have demonstrated excellent financial performance on the contract. Maintaining this strong Cost Performance Index (CPI), through optimising efficient delivery in new and agile ways significantly reduces customer affordability challenges. EDP continues to evolve, and following a successful 2* review of our performance at the year 4 anniversary, we have re-baselined the contract KPIs to better reflect the changing demands of our Customers, and our ever-closer working relationship. We continue to focus our efforts on long-term, output-based contracting, maximising efficiencies, and increasing the potential for more innovative engineering delivery. Our relationship with the Aurora Partners remains strong, providing a stable foundation to support DE&S, Strategic Command and the Front Lines.	**Metrics** All financial KPIs Customer Satisfaction **Responsibility** Chief Executive UK Defence Chief Executive UK Intelligence **Risk appetite** Balanced **Likelihood/Impact** Medium/High **Proximity/Velocity** 2–5 yrs/Low **Strategy** Distinctive Offerings Disruptive Innovation

Risk management continued

Strategic risks continued

Acquisition integration

Risk	Impact	Mitigation	
M&A activity remains a key element of our strategic growth planning, to expand our customer offerings within our home markets of the US, the UK and Australia, as well as in our priority growth markets. There is a risk that integration may not realise the maximum potential benefits of these new business combinations.	Adverse impact on the Group's financial performance.	Robust governance is underpinned by the M&A and Integration Committee, which reports to the Board, and the relevant Integration Steering Committees for each newly acquired company. All acquisitions are thoroughly assessed for strong strategic alignment, for value creation potential and for integration risk and deliverability. Comprehensive due diligence involving internal experts and a broad range of external advisory companies underpins risk management through the transaction and is the basis for integration planning. Integration itself typically involves external advisory support, and governance reviews of integration are now conducted for three years following completion. Portfolio rationalisation is ongoing where appropriate, including for example, the recent disposal of the Space NV business.	**Metrics** Inorganic Growth Revenue & Profit **Responsibility** Chief Strategy Officer Sector Chief Executives **Risk appetite** Balanced **Likelihood/Impact** High/High **Proximity/Velocity** 1–2yrs/Low **Strategy** Global Leverage Distinctive Offerings

The digital and data programme

Risk	Impact	Mitigation	
The Digital and Data Programme aims to position QinetiQ for further growth by globalising consistently around the customer to deliver excellence. In order to achieve this we must invest in our processes and systems to embed a robust QinetiQ Operating Model, supported by a Global Interoperable Infrastructure to enhance our collaboration, and a Digital Workspace that enables us to leverage our skills globally. This requires significant alignment and effort across the Group as well as cultural and behavioural changes. There is a risk that the investment required to achieve the intended outcomes is greater than budgeted, that the programme benefits are not fully realised and our Group ambitions are constrained.	Technical, Operational and Cultural debt which prevent proper zero trust technologies.	QinetiQ Leadership Team work-stream sponsorship and Group-wide stakeholder engagement ensure robust requirement identification and focussed investment. This is supported by a CEO-led steering group and a Global Digital & Data Programme Board. Budget and scope are managed through a robust governance model reporting to the QinetiQ Leadership Team and Board that gives sufficient flexibility to respond to changing customer needs but with the guide rails in place to identify and control potential cost overruns. Benefits realisation is managed through a strong focus on change management to drive adoption and the required changes to behaviours. The Digital & Data Programme acts as an enabler for the overall transformation by providing the tools and ways of working to more rapidly address the cultural and behavioural changes required to make the programme a success.	**Metrics** Customer Satisfaction Employee Engagement All financial KPIs **Responsibility** Chief Enterprise Services Officer **Risk appetite** Balanced **Likelihood/Impact** High/High **Proximity/Velocity** 0–1yr/Medium **Strategy** Global Leverage Distinctive Offerings Disruptive Innovation

Operational risks

Significant breach of relevant laws and regulations

Risk	Impact	Mitigation	
We operate in highly regulated environments across many jurisdictions, at a time when there is a rising regulatory landscape for businesses to comply with. Non-compliance presents a risk to people, property and the environment, as well as having the potential to compromise our ability to conduct business.	Non-compliance can result in penalties, as severe as temporarily shutting down the business down, plus the reputational damage, and for a public company, impact to the share price. Not adhering to laws and regulations could also lead to serious accidents.	QinetiQ has a mature enterprise risk management programme, with a focus on maintaining and strengthening safety and regulatory compliance across the Group. The QinetiQ Operating Model defines responsibility through the organisation, and there is a cultural programme led by the QinetiQ Code of Conduct that helps drive attitudes and behaviours. In addition, there are policies and procedures, and a mandatory training programme 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 internal senior management. Continuous improvement is driven using a range of approaches such as audit and evaluation, focused training, strategic improvement programmes, and business objectives. The effectiveness of our internal control environment continues to be assessed at Board level, helping identify any potential gaps in assurance over key risks.	**Metrics** Health, Safety & Environment Mandatory training compliance ABC (including commercial intermediary) monitoring **Responsibility** Chief Risk Officer Group Director Legal/ Company Secretary **Risk appetite** Cautious **Likelihood/Impact** Medium/High **Proximity/Velocity** 0–1yr/High **Strategy** Global Leverage Distinctive Offerings

Security

Risk	Impact	Mitigation	
QinetiQ operates in a dynamic global threat environment with high-value assets, people and data, which could be desirable targets for criminals, competitors, pressure groups and state actors. A breach of physical, personnel or Information Security could lead to the loss of information or harm for our employees, customers and broader stakeholders.	Significant reputational damage, erosion of business advantage, direct penalties and possible exclusion from some types of government contracts.	As a key supplier in National Security supply chains and international Operational capabilities, we must ensure that organisational security meets government and other relevant requirements worldwide. We employ a holistic security threat approach through four interlocking pillars: Physical, Information, Cyber and Personnel Security. Our changing and increasingly sophisticated threat environment is continuously reviewed, using appropriate tools and techniques, as part of our over-arching Security Strategy such that new and emerging threats are removed or mitigated, ensuring our strategy appropriately balances the security, cost and flexibility required for any given solution. Our programme of continuous security improvement is underpinned by annual strategic security reviews and aligned to key work streams for Transformation, Culture Development, Global Information Interoperability and then Digital Programme.	**Metrics** Security Dashboard Group Functional Councils **Responsibility** Chief Enterprise Services Officer **Risk appetite** Cautious **Likelihood/Impact** Medium/High **Proximity/Velocity** 0–1yr/High **Strategy** Global Leverage Distinctive Offerings

Risk management continued

Operational risks continued

Project, Programme and Portfolio Management (P3M) capability

Risk	Impact	Mitigation	
QinetiQ operates in a competitive and complex delivery environment. Scalable, adaptable and agile leadership of work is the norm. There is a risk that our Portfolio, Programme and Project Management (P3M) maturity fails to keep pace with our growth plans and evolving requirements. We must continually innovate and develop our competency frameworks, professionalism, processes, tools and training in order to ensure consistent excellence in winning business and delivering for our customers.	Adverse impact on Group financial performance, competitiveness and future growth.	The Group Performance Excellence (GPE) function is responsible for the continuous improvement of our robust P3M framework in order to provide a scalable and consistent approach to delivering benefits on time, cost and quality. Work is ongoing to update and roll out the Global P3M Competency Framework and the P3M Delegations process, ensuring Project Manager skills and experience are matched to the project complexity. Project Management Offices (PMOs) have been embedded in each business unit, and are actively implementing GPE outputs; including the Global Competency Framework and the P3M Delegations process.	**Metrics** All financial KPIs Customer Satisfaction Revenue and Profit **Responsibility** Group Director Performance Excellence **Risk appetite** Cautious/Balanced **Likelihood/Impact** Medium/Medium **Proximity/Velocity** 1–2yrs/Medium **Strategy** Global Leverage Distinctive Offerings Disruptive Innovation

Climate change resilience and Net-Zero

Risk	Impact	Mitigation	
QinetiQ Group must reduce GHG emissions and ensure the risks and opportunities resulting from the changing climate and decarbonising economy are understood. Failure to embed climate change into our strategy and processes will result in the Group not being resilient to supply chain challenges or legislative requirements and will leave our operations exposed. We may also not be able to meet customer requirements or optimise our position in a decarbonised future.	Negative impact on the Group's market position, competitiveness, and future growth.	We have a strong track record of environmental stewardship and have published our Net-Zero plan but recognise that there is more we can do. We have developed a Net-Zero plan and are committed to science based targets (approved by SBTi) 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: 1. Investment in energy efficiency projects to deliver Net-Zero operations to reduce our Scope 1 and Scope 2 emissions. 2. Development of programmes to deliver reductions in Scope 3 emissions. 3. Delivery of critical internal and industry-wide enabling activities (e.g. cost of carbon, and remuneration incentives). 4. Working with our customers to develop sustainable solutions and protecting biodiversity. We have undertaken a comprehensive review of the risk of climate change to our business. This includes embedding climate change into business as usual, integrating opportunities into our strategy and ensuring efficacy through leadership oversight with supporting tracking metrics. We continue to improve this approach. See ESG section on page 54	**Metrics** Reduction of GHG emissions Stakeholder satisfaction Customer satisfaction; Employee engagement TCFD outputs **Responsibility** Group Chief Financial Officer **Risk appetite** Balanced **Likelihood/Impact** Low/Medium **Proximity/Velocity** 3–5yrs/Low **Strategy** Global Leverage Distinctive Offerings Disruptive Innovation

Cyber

Risk	Impact	Mitigation	
There is a greater than normal risk of cyber-attack due to QinetiQ's relative priority as a target for state offensive cyber actors and ongoing global geopolitical issues. An attack could impact QinetiQ, our customers and/or our suppliers globally, regardless of the immediate or intended location of the target. The highest threat and impact of an attack is to the UK Sector activities but an attack could be targeted anywhere in our Group, via our customers or our supply chain.	Potential for significant reputational damage, as well as interruptions to delivery and service provision. There is also the possibility of the withdrawal of our accredited status (our 'licence to operate') resulting in exclusion from some types of government contracts, cyber domain work and subsequent impact on orders, revenue and profit.	As a key supplier in the multiple country National Security supply chains, we must ensure that the organisation's security meets governments' and other relevant requirements worldwide. – The implementation a Group Cyber Security Standard – Targeted cyber security training for key IT staff, and mandatory awareness training for all staff and contractors – Deployment and continual upgrade of cyber security detection and protective technologies – Operational assurance exercising This activity is supported by a wider digital investment programme implementing a mixture of culture and technological improvements across the Group. This activity will provide more consistency across the Group globally, along with a modern Enterprise Architecture.	**Metrics** Cyber Dashboard Operational Reporting **Responsibility** Chief Information Security Officer **Risk appetite** Cautious **Likelihood/Impact** High/High **Proximity/Velocity** 0–1yr/High **Strategy** Global Leverage Distinctive Offerings

Health and safety

Risk	Impact	Mitigation	
Due to the variety, complexity and hazards associated with QinetiQ's operations, there is a risk of an unplanned and uncontrolled event occurring on a QinetiQ site, resulting in serious injury or fatality to employees, contractors, visitors and members of the public or other third parties.	Failure in the moral duty to our employees. Regulatory enforcement action, criminal prosecution of the Company and/or individuals, reputational damage and financial compensation claims.	A global safety improvement programme will enable QinetiQ to increase its safety culture maturity and deliver sustainable safety improvements, including: – Improving the effectiveness of global safety processes to achieve overall risk reduction – An aligned and globally integrated three lines of safety assurance approach – Enhanced safety performance measurements providing insights on incidents and other metrics – Enhancing competence and upskilling employees to become better safety leaders and role models – Reviewing technology as an enabler for safety We are working to embed the new QinetiQ Operating Model (QOM) into the safety organisation, management system and our Operating Sectors. Use Global Roadshows and Q-Talks to clarify upcoming safety improvements and how these will both impact our people and enable our organisation to improve its safety culture maturity. See Health and Safety on page 67	**Metrics** Safety culture maturity score Employee engagement **Responsibility** Group Director Safety Excellence & Assurance **Risk appetite** Low **Likelihood/Impact** Medium/High **Proximity/Velocity** 0–1yr/High **Strategy** Global Leverage Distinctive Offerings Disruptive Innovation

Risk management continued

Operational risks continued

Strategic workforce planning

Risk	Impact	Mitigation	
There is a risk that we fail to grow and adapt our planning, development and employee value proposition for the right capability to deliver excellence from our customers in the longer term.	Negative impact on the Group's market position, competitiveness, and future growth.	Our people are a core consideration in all of our strategic and operational planning. We are enhancing our Strategic Workforce Planning (SWP), the Early Careers Programme, Diversity and Inclusion (D&I) Plans, and career management approach through the release of the Personal Development Fund and Talent Management Systems. The People function is developing a global methodology for harnessing future capability requirements, assimilating better understanding of the skills gaps and identifying strategic solutions to mitigate the these. A high-performance culture is central to our People strategy, supported by engagement, talent review and reward strategies. This is further enabled through our Adaptive Working principles which have capitalised on the diverse ways that our people work.	**Metrics** Reward Growth Career Progression Skills Development **Responsibility** Chief People Officer **Risk appetite** Balanced **Likelihood/Impact** Medium/Medium **Proximity/Velocity** 1–2yrs/Medium **Strategy** Global Leverage Distinctive Offerings Disruptive Innovation

Culture

Risk	Impact	Mitigation	
Developing an inclusive, high-performing culture where our people can thrive will maximise our potential. We operate in a rapidly changing and disruptive landscape and there is a risk that we do not develop global, agile and integrated ways of working to ensure successful delivery for our customers and achievement of our strategic goals.	Negative impact on the Group's market position, competitiveness, and future growth.	We have implemented our QinetiQ operating model and we are investing in developing our culture to ensure our people can thrive and be at their best. We are focusing on leading and engaging our people through strong leadership, embedding our approach to inclusion, diversity and belonging, people management and development supported by aligned rewards, systems, tools and processes that enable performance and help us embed our new ways of working.	**Metrics** Business performance Leadership Employee engagement **Responsibility** Chief People Officer **Risk appetite** Balanced **Likelihood/Impact** High/High **Proximity/Velocity** 1–2yrs/Medium **Strategy** Global Leverage Disruptive Innovation

Financial risks

Macroeconomic volatility			
Risk	**Impact**	**Mitigation**	
Failure to anticipate and plan for a volatile macroeconomic environment. Specifically failure to understand the impact on the QinetiQ Group of: – Inflation changes – Interest rate movements – Foreign currency	Adverse impact on the Group's financial performance, and future growth strategy.	We seek to manage the risk in various ways: – Existing contract understanding of inflation impacts – Analysis of target customer base in the event of macroeconomic shocks – New terms and conditions appropriate for uncertainty around inflation – Deployment of our Treasury policy that avoids speculation on foreign exchange and interest rate risks (i.e. hedging, % of fixed v floating rates) As part of the strategic planning process, we model the resilience of our financial position against different macro-economic scenarios.	**Metrics** All financial KPIs Growth **Responsibility** Chief Financial Officer **Risk appetite** Balanced **Likelihood/Impact** Medium/High **Proximity/Velocity** 3–5 years/Low **Strategy** Global Leverage Distinctive Offerings Disruptive Innovation

Viability statement

Assessing the prospects of the Group

This viability statement should be read in conjunction with the Group's Growth strategy on pages 17 and 18.

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

1. 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 and funding metrics;

2. An annual budget process that covers the first year of the five-year planning horizon in detail;

3. A rolling monthly 'latest best estimate' process to assess significant changes to the budget/forecast 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 77 to 83, 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 77 to 83) 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 99, 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 2028. This period is deemed appropriate as the Group has significant contract cover out to 2028 driven by long-term contracts. New debt committed in FY23 also aligns to the time period with expiry in FY27. 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 while still providing an appropriate longer-term outlook.

Assessing the viability of the Group

The scenarios applied consider the key risks facing the Group, as summarised in the Risks Management section on page 75. These include:
– The loss of a major contract
– A major environmental event
– Sensitivities on growth metrics in the plan such as margin achievement and revenue growth
– Sensitivities based on our cash position including interest rate rises, increased dividend payments and increased working capital burden
– Sensitivities linked to the economic environment including inflation and FX risk.

Viability statement continued

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 downturn and poor trading conditions.

The Group has significant forecast growth resulting in a return to positive net cash from FY26. The sensitivities assume that the Group continues to have access to Revolving Credit facilities of £275m (expiring September 2025) and that the term loan of £270m can be extended (expiring September 2027). 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, 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 129**, 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 2028.

Scenarios modelled	Links to principle risks
Scenario 1 – Loss of major contract renewal Loss of a major contract within the period. **Assumptions**: Revenue and margin removed from the end of the current contract in FY27.	UK large contract renewals
Scenario 2 – 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 and Net-Zero
Scenario 3 – Profit margin downgrade Profit margin is downgraded as a result of a major project write-down through poor project management, a health and safety fine and/or overspend on our cost base. **Assumptions**: A 1% reduction in profit margin, no impact on revenue.	P3M Capability Health and Safety
Scenario 4 – Reduction in revenue growth Revenue grows at a slower rate through the planning period driven by a slow-down in customer spending, failure to integrate acquisitions, a cyber incident or failure to plan the future resource and skillset needed. **Assumptions**: Revenue restricted to 5% organic growth per annum.	Acquisition integration Cyber
Scenario 5 – Increased working capital burden Economic environment causes delays in customer payments or high inventory levels driven by supplier shortages to manage demand. **Assumptions**: Cash conversion restricted to 85%.	Operational risk

Scenarios modelled	Links to principle risks
Scenario 6 – Pressure to increase dividend payments Shareholders increase pressure on the Company due to strong performance and peer pressure to increase dividend payments. **Assumptions:** 10% increase in dividend payments through cycle.	Operational risk
Scenario 7 – Pressure on interest rates Global interest rates continue to rise due to macro-economic factors, global events and government interventions, rather than flattening out as expected in the short/medium term. **Assumptions:** Doubling of interest rates over the five-year planning horizon.	Macroeconomic
Scenario 8 – Higher 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:** 25% increase in FX (USD) rates	Macroeconomic

Combined stress tests modelled	Scenarios used
a) Financial downturn (liquidity) – if interest rates increase, shareholders will require greater ROI so dividends may need to increase. Increased interest rates may further cause cash flow problems for customers, leading to slower payments and reduced cash conversion. Likelihood moderate given macroeconomic environment.	5, 6, 7
b) Poor trading performance (profitability).	1, 2, 3, 4, 8
c) Combination of all profitability related scenarios.	1-8

Going concern

The Group's activities, combined with the factors that are likely to affect its future development and performance, are set out on **pages 1 to 41**. The Group meets its day-to-day working capital requirements through its available cash funds and its bank facilities. The Chief Financial Officer's review on **pages 42 to 46** 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 Risk Management section on **pages 75 to 83**. 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 above, 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 the next 12 months from 25 May 2023.

Section 172 (1) statement

We are committed to our responsibilities to promote the success of the Company under section 172 of the 2006 Companies Act.

The Board of Directors confirms that it has acted to promote the long-term success of the Company for the benefit of the shareholders, having due regard to matters set out in section 172(1)(a) to (f) of the Companies Act 2006:

s. 172(1) matter	Relevant disclosures
(a) The likely consequences of any decision in the long term	Company purpose – page 16 Business model – pages 14 to 15 Strategy – page 17 Dividend policy – page 46 Longer-term viability statement – page 83
(b) The interests of the Company's employees	Improving the safety, health and wellbeing of our people – page 67 Engaging with our people – page 69 Developing our people – page 70 Rewarding and recognising our people – page 71 Non-financial information statement – page 88 Board employee engagement – page 106 Diversity and inclusion – page 68
(c) The need to foster the Company's business relationships with suppliers, customers and others	Business ethics – doing business the right way – page 74 Anti-bribery and corruption – page 74 Human rights – page 74 Modern slavery – page 74 Supply chains – page 74 Supplier stakeholder management – page 26 Sanctions, embargos and compliance – page 74
(d) The impact of the Company's operations on the community and the environment	Responding to climate change – pages 54 to 65 Greenhouse gas emissions and energy management – page 56 Investing in our community – page 26 TCFD disclosures – page 61
(e) The desirability of the Company maintaining a reputation for high standards of business conduct	Stakeholder propositions – pages 26 to 27 Our sustainable business model – pages 12 to 13 Our values – page 16 Our culture – page 16 Our approach to responsible and sustainable business – page 60 Internal controls – page 129
(f) The need to act fairly between members of the Company	Investor engagement – page 107 The Annual General Meeting – page 94

Typically in large and complex companies such as QinetiQ, the Directors fulfil their duties partly 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 include:

- An annual strategy meeting which assesses the long-term sustainable success of the Group and our impact on our investors, customers, employees, and local communities.
- Board 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 75 to 83**).
- The Board setting the Group's purpose, values and strategy, ensuring it is aligned with our culture (see **page 104**).
- Direct and indirect stakeholder engagement (see **pages 56 and 105**).
- External assurance, received through audits, stakeholder surveys and reports from brokers and other advisers.
- Specific training for our Directors and senior managers (see **page 119**).
- Regularly scheduled Board presentations and reports, for example: customer engagement, risk register reports, health and safety reports, confidential reporting, defence process review, dividend policy, people and culture strategy, and operational business updates.
- 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 our commitment to the armed forces.
- Formal consideration of any these factors which are relevant to any major decisions taken by the Board throughout the year.
- Many of these topics are regularly reviewed through the Board risk management process and the Audit Committee, Risk and Security Committee and Remuneration Committee.

Our Group Chair, with the assistance of the Company Secretary, sets the agenda for each Board meeting to ensure that the requirements of section 172 are always met and considered through a combination of the following:

- Board papers which ensure that stakeholder factors are addressed where judged relevant.
- 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. The Company Secretary also presents at each Board meeting detailing relevant corporate governance and compliance matters.
- A rolling agenda of matters to be considered by the Board throughout the year, including a two-day strategy review, which considers the purpose and strategy for the Group, supported by a budget for the following year and a medium-term (five-year) financial plan. Agenda items for the following year are set, based on the discussions held and decisions taken by the Board throughout the year.
- A consistent approach to minute-taking with details as to when section 172 factors are being considered.

Board activity and principal decisions in FY23

The principal decisions taken by the Board in FY23 are detailed on **pages 101 to 102**. These decisions cover a variety of topics, including our ESG strategy; Group portfolio optimisation decisions and investment decisions. Due to the nature of these decisions, a variety of stakeholders are considered as part of the Board's discussions.

Non-financial information statement

The non-financial 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 here.

We have a range of policy and guidance, some of which is published on our website: **www.QinetiQ.com.**

Certain of the non-financial 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 information statement	88
Risk management	Risk management	75
Principal risks	Risk management	77
Key Performance Indicators	Key performance indicators	48
ESG	Environmental Social Governance	52
Board Diversity Policy	Corporate Governance	116

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 73**). There is guidance on our standards, on ethical decision making and also how to seek help and raise concerns. The Code is structured to include a range of advice for our people, our customers and partners, our Company and shareholders and our communities and the public. We review our Code of Conduct annually to reflect the needs of our business, regulations and best practice and in FY23 it was reviewed by external experts (**page 74**).
Speak Up	Guidance for our employees and third parties on how to 'speak up' is provided within our Code of Conduct and our supplier Code of Conduct (see **page 74**), both are available on our website. Speak up and the Code of Conduct form part of the Business Ethics Committee and ESG SteerCo 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 105**.
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, monthly through Safety Council meetings, through QinetiQ Leadership Team (QLT) meetings and regularly as part of the Board Risk and Security Committee (see **page 126**). We track Lost Time Incidents (LTI) as a key non-financial KPI (**page 50**), and have shown an improvement compared with FY22. Safety programmes are described on **page 66** and listed in our operational risks (**page 81**).
Diversity and inclusion	Our Equality, Diversity and Inclusion (ED&I) policy details our approach to promoting ED&I in our 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 2025 programme, including an improvement in gender diversity, is described on **pages 68 and 69**. Data and progress against the Board's Diversity and Inclusion Policy is described on **page 116**.

The environment

Policy statement	Description
Environmental management	We are committed to embedding an environmentally sustainable approach to business because we understand its importance to our business and our stakeholders (see **page 60**). The effectiveness of our policy 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 new Environment Council (**page 60**) 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.
Energy management and climate change	Underpinning our ISO 50001 certified energy management system is our Energy and Carbon Management policy, which creates the framework for energy management in the UK. On **page 56** we show the positive improvement against our target and Scope 1 and Scope 2 GHG emissions, which form one of our non-financial KPIs (**page 50**). Our policy is part of regular governance review and self-certification, as well as external audit, to ensure we are meeting certification requirements. Our Net-Zero plan (**pages 54-59**) has oversight by the Environment Council, ESG SteerCo and the Board. Risks associated with climate change are on **page 80** and our TCFD disclosures on **pages 61-65**.
Waste management	We recognise that reducing waste meets our sustainability goals and improves efficiency. On **page 60** we outline the progress against our target. The effectiveness is governed via our assurance processes and KPIs with oversight by our QLT as well as regular oversight by the Risk and Security Committee.
Sustainability appraisal	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.

Community and society

Policy statement	Description
Volunteering policy	Our policy provides guidance for employees to use Company time to use their skills, which enable us to make a positive difference in the community (**page 72**). The effectiveness is monitored by the ESG team, with oversight by the ESG SteerCo and via our assurance process.
Safeguarding children and vulnerable adults	Our policy explains the importance of safeguarding as part of our community investment programme and outlines requirements for risk assessment and the right behaviours. The policy is managed both by the ESG team and locally by safeguarding experts in our Early Careers Team and is managed 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 123**).
Sponsorship and donations	Our policy 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 ESG team. This is managed by 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 SteerCo, 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 74**).
Modern slavery	We recognise our responsibility to comply with all relevant legislation, including The UK Modern Slavery Act 2015. Our policy 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 our website. The effectiveness is monitored via our assurance programme and leadership oversight (QLT and Board). See **page 74** for details of the programme.
Data protection	Our Data Protection policy 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 74** 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 73**).
Anti-bribery and corruption	Our Anti-Bribery and Corruption policy sets out our responsibilities in observing and upholding our zero-tolerance approach to all forms of bribery and corruption. This important policy, which 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 74**.
Commercial intermediaries	Managing commercial intermediaries is one of a suite of key policies which supports our zero tolerance approach to ABC. It provides clear guidance on approach. This policy 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 policy, 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 policy is one of a suite of policies which supports our zero-tolerance approach to ABC. It provides clear guidance on what is appropriate and how to record. This policy has QLT and Board oversight, and is subject to our assurance process and self-certification.