QinetiQ Group plc Scope 3 Greenhouse Gas Reporting Methodology Summary

1. Introduction

This document provides a summary of the criteria and supporting methodologies that have been adopted to prepare QinetiQ's Scope 3 greenhouse gas emissions statement.

2. Scope & Boundary

a) Emissions

The reporting boundary for QinetiQ includes Scope 3 greenhouse gas emissions, as defined in Chapter 5 of the Corporate Value Chain (Scope 3) Accounting and Reporting Standard (carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF_6)).

b) Scope 3 Greenhouse Gas Emissions Boundary

QinetiQ adopts a Financial Control boundary approach in its annual Scope 1 and Scope 2 greenhouse gas emissions reporting. This includes all sources of emissions over which QinetiQ has the ability to direct the financial and operating policies of an entity with a view to gaining economic benefit from its activities, and where QinetiQ retains the majority of the risks and rewards of ownership of the entity's assets.

This approach is also reflected for some Scope 3 categories where relevant (e.g. Category 8), but as Scope 3 emissions are a consequence of QinetiQ activities occurring from sources not owned or controlled by QinetiQ, the boundary extends further into the overall value chain.

3. Emissions Data

The Scope 3 greenhouse gas data is collected annually across the QinetiQ Group after financial year-end.

Data collection templates are issued to relevant site and business unit contacts across the company. The completed templates are consolidated by the Energy Team. Information is also obtained from QinetiQ management systems; including the Energy Bureau, accounts payable, Environmental and Energy Management Systems, business travel booking systems, finance systems, and from our supply chain.

Scope 3 greenhouse gas emissions are calculated for each of the specified categories as summarised below:

- For **purchased goods and services (Category 1)**, the spend-based method is used, converting financial expenditure data into GHG emissions, using the UK Government Department for Energy Security and Net Zero's emission factors. The data quality is considered low due to the reliance on these factors, and there are intentions to work with suppliers to improve data accuracy by incorporating supplier-specific data;

- When calculating emissions from **capital goods (Category 2)**, a similar spend-based approach is used. Financial data is categorized and mapped to economic sectors, with emissions calculated using a tool promoted by the Greenhouse Gas Protocol. This method also faces challenges in data quality, and there are intentions to improve by using updated emission factors;

- For **fuel and energy-related activities (Category 3),** emissions are estimated using the average data method, relying on company-controlled energy consumption data, which is considered high-quality;

- The calculations for purchased **transportation and distribution services (Category 4)** use a combination of the spend-based and supplier-provided distance-based methods. However, the data quality is low because of the assumptions required for transportation costs, and improvements are planned through better data and revised assumptions;

- In terms of **waste disposal and treatment (Category 5)**, a mix of methods are used including waste quantity data and average data, but the data quality is only moderate due to assumptions made for non-UK locations. It is planned to focus on improving more significant Scope 3 categories first;
- For **business travel (Category 6)** emissions, detailed data from travel management suppliers results in high-quality emissions estimates for the majority of our travel, while some aspects rely on the spend-based method, yielding lower data quality;
- **Employee commuting (Category 7)** emissions are calculated using the average-data method, relying on assumptions about travel distances and modes. With data quality considered low, it is planned to refine estimates through improved data collection;
- **Upstream leased assets** (**Category 8)** emissions, calculated using asset-specific and lessor-specific methods, are based on assumptions, especially regarding energy use in overseas leased assets. Data quality is considered low, and improvements will focus on revisiting assumptions, particularly in the US;
- Emissions from **downstream transportation and distribution (Category 9**) are based on assumptions about customer visits to our sites, making data quality low. Assumptions will be refined to improve estimates in the future;
- For the **use of sold products (Category 11)**, emissions are calculated using the aviation fuel sold and direct product use-phase data, with data quality also considered low. It is planned to improve by refining product-related data;
- **End-of-life treatment of sold products (Category 12)** is estimated using product weight and disposal methods, relying on assumptions, which results in low data quality. Improvement efforts will focus on more significant Scope 3 categories;
- Finally, emissions from **investments (Category 15)** are calculated using the average-data method based on our equity interest and revenue from investments, with data quality again considered low. Given the small contribution to total emissions, our plans for improvement in this category are limited.

Categories 10, 13 and 14 are currently not material emissions sources for our business.

3. Assurance

The data is subject to internal reviews.