



INNOVATING TOGETHER TO PROTECT AND GROW

OUR PURPOSE

Chemring helps to make the world a safer place. Across physical and digital environments our exceptional teams deliver innovative protective technologies to detect and defeat ever changing threats.

VALUES



SAFETY

We place safety at the heart of everything we do.



EXCELLENCE

We are focused on ensuring we consistently meet high standards in all that we do.



INNOVATION

We create world-class solutions and develop world-class thinking.

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INNOVATION AND TECHNOLOGY IS AT OUR CORE

At Chemring we create market-leading technology solutions and develop world-class thinking to solve the most challenging problems.

Using our extensive science and engineering expertise, we turn ideas into reality, designing and developing critical solutions that protect and safeguard in an uncertain world.

We achieve this by innovating at every stage of the value chain, from research and development, through to design, manufacture and in-service support for our sensors and detection systems, countermeasures and energetic products.

Our customer base spans national defence organisations, security and law enforcement agencies, as well as commercial markets such as space and transport. We support our customers in more than 50 countries across the globe.

Chemring is organised into two sectors:

- Sensors & Information; and
- Countermeasures & Energetics.



SENSORS & INFORMATION

Innovation is core to solving our clients' difficult problems.

With over 600 scientists, engineers and consultants, our Sensors & Information sector continues to invest in technologies that safeguard and protect in an uncertain world.

Operating across defence, national security, law enforcement and industrial domains, we enable our clients to deliver competitive advantage, defend their people, assets and information, and defeat their adversaries.

Our sensor technologies detect threats with a very high degree of confidence, be they explosive, biological, chemical, radio or cyber.

Our Roke business draws on a 60-year heritage of innovation in sensors, communications, cyber and artificial intelligence to innovate and apply these technologies in new ways.

We operate across the whole lifecycle providing advice, research and development, engineering, design and in-service support for our products and services.

COUNTERMEASURES & ENERGETICS

Chemring is the world leader in the design, development and manufacture of advanced expendable countermeasures for protecting air and sea platforms against the growing threat of guided missiles.

We combine a deep understanding of platform signatures, missile seekers and chemical formulations to develop new countermeasures against evolving threats.

Our niche, world-class energetics portfolio provides high-reliability, single-use devices that perform critical functions for the space, aerospace, defence and industrial markets.

Every day, our products, services and experts assist customers, including NASA, to achieve mission success. This ranges from cutting-edge technology to enable our customers to launch rockets and satellites into orbit, to the provision of aircraft safety systems including oxygen mask deployment on commercial aircraft and ejector seats for aircrew egress.



COMMITTED TO A SUSTAINABLE FUTURE



Michael Ord

Group Chief Executive and Chairman of the Group Sustainability Committee

Chemring acknowledges its responsibilities to contribute to a sustainable future. We have a strong and recognised obligation to ensure the responsible operation of our business and are fully committed to long-term sustainable value creation through safe, values-based and ethical business conduct at all times.

PURPOSE

Chemring helps make the world a safer place. Across physical and digital environments, our exceptional teams deliver innovative protective technologies to detect and defeat ever-changing threats.

VISION

To be a leading provider of critical and innovative technologies that detect and protect people, platforms, missions and information against constantly changing threats.

Improving our sustainability performance plays a key role in the way we both run our businesses today and plan for the future, as we manage our environmental, social and governance (“ESG”)-related risks. We also recognise that our ESG credentials are an increasingly important factor in our ability to attract and retain first-class people. Engaged, motivated, empowered and appropriately skilled employees are integral to our success.

Whilst our approach to sustainability continues to mature we are committed to implementing transparent policies and procedures, and to fostering an inclusive culture across the Group where everyone does the right thing and takes responsibility for their actions. Increasingly this focus will develop from working as a trusted partner to our many customers and ensuring that our internal standards are fit for purpose, to working with our supply chain to ensure that they too work to the same standards. In doing so we will build a sustainable company of which all our stakeholders can be proud, now and in the future.

OUR APPROACH TO SUSTAINABILITY

The long-term success of the Chemring business can only be enhanced by a positive interaction with all of our stakeholders and therefore a positive and engaged approach to corporate responsibility and sustainability is important to us. Our approach is focused around the following key areas:

- health and safety;
- environment;
- people; and
- ethics and business conduct.

Our approach to corporate responsibility and sustainability is embedded within the business units and all senior leaders have specific objectives around these areas identified which are linked to their incentive plans.



A RESPONSIBLE APPROACH



TREATING WASTEWATER ONSITE

Across Chemring, we are developing a sustainable water policy and seeking further water conservation opportunities throughout the Group.

One such example is at Chemring Nobel in Norway, which manufactures specialised energetic chemicals for the defence and civilian industries.

Wastewater from the chemical industry often contains high concentrations of organic compounds, and treating it is essential. In 2019, Chemring Nobel invested in a new, onsite wastewater treatment facility.

The £2.5m facility has two reactors, each with a capacity of 220m³. The facility processes around 3,000m³ of water per week. To put that into perspective, the average household uses around 164m³ of water over the course of a whole year.

The plant consists of two sedimentation tanks in parallel and removes suspended material from the water. This mostly consists of explosive residues that are later destroyed at the fireground. The cleared water goes through for automatic sampling and water volume measurement. It is then released into the fjord, approximately 120m out and 52m deep on the seabed.

During the treatment process, bacteria ingest the hydrocarbons dissolved in the water, and air, heat and nutrients are fed into the reactors to create a favourable environment for the bacteria. Dead bacteria turn into sludge, which can then be discarded. The “bacteria-house” within the plant is the equivalent size of 21 football pitches!

Chemical oxygen demand (“COD”) is used to measure the amount of organic compounds in the wastewater. The COD test is often used to monitor water treatment plant efficiency. The lower the COD figure, the more efficient the treatment plant. Since the plant became operational in 2019, the amount of COD accumulated weekly has reduced by 80%.



COMMITTED TO A SUSTAINABLE FUTURE

PROGRESS IN 2021

From an ESG perspective 2020 was a baseline year for Chemring where we focused our efforts on gaining a better understanding of our data, identifying gaps within in our knowledge, completing the reshaping of the portfolio to focus on protective technologies and putting in place the infrastructure and governance to effectively manage our sustainability agenda.

We have continued to build on this progress in 2021 with the overriding goal of elevating our ESG-related activity.

A crucial first step in this, and a priority goal for the year, was to continue the process of gathering and validating data and to undertake a materiality assessment to identify the material topics of greatest concern to our stakeholders and to identify those areas and activities where our actions could have greatest impact.

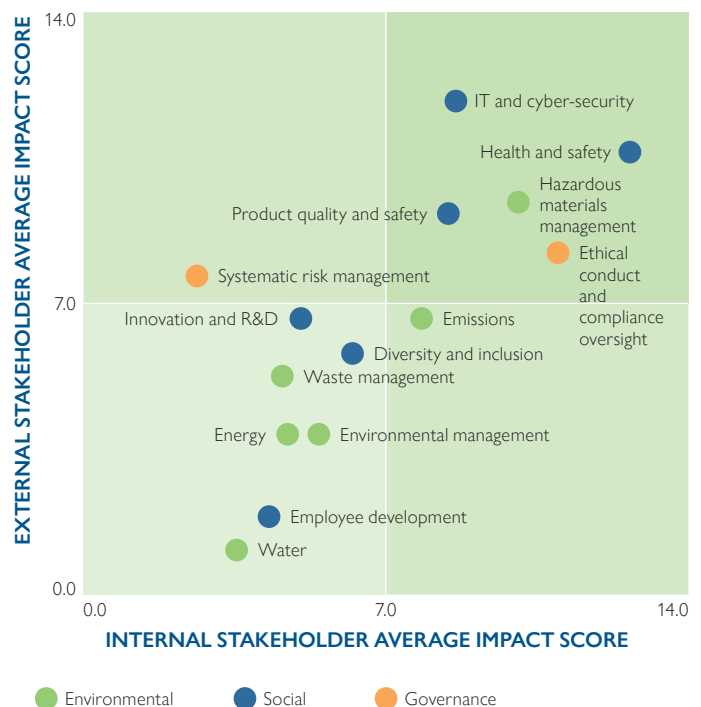
The materiality assessment process identified the most significant economic, environmental, social and governance topics, both risks and opportunities, and ranked them according to feedback from a selection of stakeholders including customers, suppliers, executive directors, employees and investors. Key focus areas included health and safety, diversity and inclusion, reducing climate change, and employee wellbeing. The issues were identified and ranked according to their importance to Chemring (see right).

In addition to the materiality exercise the Group also conducted a mapping exercise to consider the alignment of the organisation to the United Nations Sustainable Development Goals ("UN SDGs"), and assess the opportunities to measure and manage Chemring's contribution to the UN SDGs going forward.

Taking into account UN SDG sector relevance, Chemring material topics, KPIs, and Chemring's high level business sustainability goals, the UN SDG mapping process outlined that Chemring's operations, products and strategy align most notably with the UN SDGs listed below:

Icon	Goal	Description
	Good health & wellbeing	Ensure healthy lives and promote well-being for all at all ages
	Gender equality	Achieve gender equality and empower all women and girls
	Affordable & clean energy	Ensure access to affordable, reliable, sustainable and modern energy for all
	Decent work & economic growth	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

STAKEHOLDER MATERIALITY ASSESSMENT



Icon	Goal	Description
	Reduced inequalities	Reduce inequality within and among countries
	Responsible consumption & production	Ensure sustainable consumption and production patterns
	Climate action	Take urgent action to combat climate change and its impacts
	Peace, justice & strong institutions	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels



Both exercises have been core to enabling us to set appropriate near and longer-term targets, against which our progress can be measured. We outline how these UN SDGs sit alongside our associated objectives and activity in the table below.

OUR SUSTAINABILITY GOALS

	UN SDG	Sustainability objectives	Supportive actions and activity	Further information
ENVIRONMENTAL Respecting and protecting our planet by actively seeking ways to reduce our environmental impact	  	<ul style="list-style-type: none"> - Reduce our impact on the environment and build resilience to climate change by focusing on energy, waste and water, and by understanding the impact of global climate change on our operations - Challenge our business unit leaders to improve operational, resource and energy efficiency and to minimise environmental impact - Invest in support of product development and production techniques that meet our customers' needs and support their environmental goals 	<ul style="list-style-type: none"> - Chemring will be carbon neutral by 2030 - Chemring is working towards being a net zero organisation by 2050 and is committed to supporting its value chain - We will reduce our total direct (scope 1) and indirect (scope 2) GHG emissions year on year - We will continue to focus our efforts on reducing energy consumption and on embracing green technology - We will target zero waste to landfill by 2030 	 Environment on pages 10 to 13
	  	<ul style="list-style-type: none"> - Maintain the highest standards of safety and the wellbeing of our workforce - Ensure that, in support of our wider commitment to ethnic and gender diversity, our workforce represents the diversity of the local communities we operate in - Implement effective policies and procedures and continually invest in support of operational excellence and the development of our people - Promote inclusion and diversity at all levels - Promote fair employment and skills development 	<ul style="list-style-type: none"> - We will set a recordable injury frequency rate limit of below 1 in line with upper quartile benchmark performance - We will continue to reduce the risk of high hazard events - We will increase the proportion of women in all senior management positions across the business to 33% by 2027 	 Health and safety on pages 7 to 9  Our people on pages 14 to 20
	 	<ul style="list-style-type: none"> - Operate with integrity and transparency and to the highest ethical standards across all our businesses - Ensure the highest standards of product safety and comply with all relevant standards - Promote a culture where everyone does the right thing and takes personal responsibility for their actions - Actively seek to increase representation of ethnicity and gender on our Board, within our leadership teams and across all our localities - Protect information security and data privacy - Maintain prudent and responsible financial and tax planning and management 	<ul style="list-style-type: none"> - Chemring will maintain the Hampton-Alexander target of 33% of women on the Board - We will seek to meet the guidelines of the Parker Review on ethnic diversity as we refresh the composition of the Board - All Chemring employees and third parties acting on our behalf must comply with the Chemring Code of Conduct, wherever they are located in the world 	 Ethics and business conduct on pages 21 to 23



INTRODUCTION TO SUSTAINABILITY continued

PROGRESS IN 2021 continued

Good progress has been made to date as our ESG agenda evolves and matures.

To facilitate and ensure a centralised approach to sustainability across all our businesses, a Group Sustainability Committee was formed during the year. Chaired by Michael Ord, the Group Chief Executive and Board director responsible for sustainability across the Group, the Committee now has oversight of all the Group's ESG-related activity. The Committee consists of members of the Group's Executive Committee with responsibility for health and safety, environmental impact, people and ethics and business conduct, supported by internal subject matter experts. The Committee will shape and monitor the implementation of our sustainability agenda and ensure that the Group continues to make progress in the future.

To ensure that our sustainability goals are aligned with both our long-term strategy and executive remuneration arrangements, ESG-related performance targets will be included in the Group's performance share plan for awards made from FY22 onwards. These targets will supplement the ESG-related objectives which are already included in our annual bonus plan and which are cascaded down through the organisation.

The work carried out during 2021 has enabled us to gain a better understanding of our exposure to ESG-related risks and, through active engagement with our key stakeholders, a better understanding of their concerns and priorities. Our strategy over the current and future years will seek to identify those areas where our activities can have most impact. Plans are now in place to continue this journey and to ensure that we meet the growing disclosure requirements of our stakeholders and demonstrate our ability to successfully address ESG-related issues.

We will also continue to work with our advisers and shareholders to identify how we can constructively feed into and inform the debate on the future of ESG reporting and the creation of a common set of standards against which we can be measured.

Chemring is now a business whose evolving purpose is innovating to protect, and with that we are focused on protecting our customers, people, platforms, missions and information. Less than 10% of our revenue relates to the provision of raw material and components that may be used by our customers in the production of offensive capabilities. This will reduce further as the focus areas of the Group continue to grow.

As a business we are committed to building a sustainable company of which all our stakeholders can be proud, both now and in the future.

ESG HIGHLIGHTS



HEALTH AND SAFETY

0.67 (2020: 0.85) -21%
TRIF rate

High-potential incidents: 9 (2020: 19), down 53%

Technical Safety and Occupational, Health, Safety and Wellbeing Committees formed



ENVIRONMENT

GHG and carbon emissions flat (<1% difference year on year)

Carbon reduction plans being implemented in every business

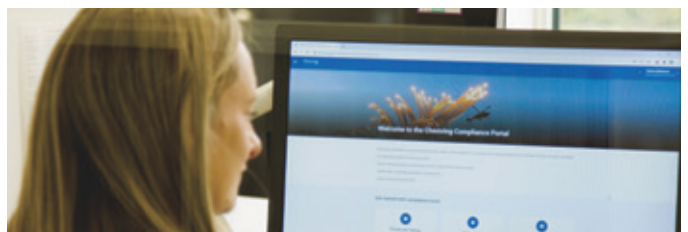
Sustainability Committee formed to shape, monitor and ensure future progress



PEOPLE

100%
of our senior leaders have participated in diversity, equity and inclusion workshops

All new graduates and apprentices will take part in a UK-wide Early Careers development programme which started in November 2021



ETHICS AND BUSINESS CONDUCT

Updated Code of Conduct and training issued

Continued implementation of Chemring Compliance Portal

Operational assurance process enhanced



ESTABLISHING A STRONG HEALTH AND SAFETY CULTURE

Our goal is zero harm, not as a statistical target but as a moral imperative, which will be achieved by establishing a strong proactive safety culture.

POLICIES AND PRACTICES

The Board recognises that the highest levels of safety are required in order to protect employees, product users and the general public. The Board believes that all incidents and injuries are preventable, and that all employees have the right to expect to return home safely at the end of every working day. The Group Chief Executive has overall responsibility for health, safety and environmental matters across the Group.

The Group HSE Director reports directly to the Group Chief Executive, and is responsible for the ongoing development and assurance of the Group's health, safety and environment strategy known as Journey to Zero Harm. The Group HSE Director is a member of the Executive Committee and reports on the performance of all businesses against agreed targets and objectives. The Group Chief Executive reports monthly to the Board on all key HSE KPIs.

The Board requires that all businesses systematically manage their health and safety hazards, set objectives and monitor progress by regular measurement, audit and review. Each managing director is responsible for the management of health and safety within their business, and for providing adequate resources to satisfy the Board's requirements. All managing directors have health and safety-related objectives incorporated within their annual incentive plan.

Managers and supervisors in the Group's businesses are required to enforce procedures, and to provide leadership and commitment to promote and embrace a proactive health and safety culture. The Board emphasises the importance of individual responsibility for health and safety at all levels of the organisation, and expects employees to report potential hazards, to be involved in implementing solutions and to adhere to rules and procedures.

A key element in the continuous improvement of health and safety management is sharing best practice and lessons learnt from incidents across the Group's business and the wider industry. Accidents, incidents and near misses are investigated, with actions generated to prevent recurrence.



SPOT IT, STOP IT, SHARE IT CAMPAIGN

During the year, we launched a new internal campaign called Spot it, Stop it, Share it, encouraging our colleagues to step up their focus on reporting unsafe conditions, behaviours and near misses. Following up those near miss reports with corrective actions is essential, and that is where leadership and the health and safety teams on site make a real difference.

We need a strong safety culture in Chemring, and we will continue to build on that as we journey to zero harm, ensuring we protect our employees every step of the way.



HEALTH AND SAFETY continued

ACHIEVEMENTS

2021 has continued to be a challenging year as we maintained a safe Covid-19 ("CV-19") environment despite the pandemic. Whilst this created a need for special focus, we have still maintained progress in line with our health, safety and environmental ("HSE") strategy of Zero Harm, consolidating the processes we implemented last year around the themes of:

- control of major accident hazards;
- injury reduction; and
- HSE risk management.

We have also added an additional element to our strategy regarding right capability which extends to all employees. As a result of the restrictions associated with CV-19, the Management of Change Process was used effectively to ensure safe and continued operations. Actions taken in delivering the HSE plan included:

- consolidation of a travel risk management process;
- implementation of a revised Crisis Management Plan; and
- implementation and consolidation of our three HSE sub-committees focusing on the following areas:
 - > environmental;
 - > occupational health, safety and wellbeing; and
 - > technical safety, which combines process safety and asset integrity.

CONTROL OF MAJOR ACCIDENT HAZARDS

Our Countermeasures & Energetics businesses are required to manage major accident hazards which are governed by stringent legislation within their respective operating countries. Over the last three years, we have implemented a number of processes to enhance our focus in this area by ensuring we design, maintain and operate with integrity. We continue to invest in modern processes and technology to remove our employees from exposure to energetic hazards. During the design of these processes we have placed more scrutiny on the application of process hazard analysis.

In 2019 we mandated that all Countermeasures & Energetics businesses would need to conduct regular reviews to identify the potential for major process safety events. The reviews are based on a "stress test" that addresses the following questions:

- Have potential major accident hazards been identified?
- Are there effective controls in place to prevent and contain a major event?
- Are these controls being actively monitored?

This year saw the third iteration of that review process, with an increase in the number of hazard scenarios being identified as the rigour of process hazard analysis matured. We are pleased to report that as a result of this maturing process we are now more aware of the residual risks and throughout the year have taken steps to reduce these to a level as low as is reasonably practicable. Following last year's review of asset integrity at all Countermeasures & Energetics businesses and the development and implementation of a Group asset integrity standard, a common computerised maintenance management system has been selected to implement across the businesses, improving management and accountability.

Towards the end of the year, we established the Technical Safety sub-committee with the purpose of sharing best practices and advice on the development of new standards and guidance. The committee will provide a continued focus on process safety, asset integrity implementation and the continued evolution of our approach to reducing process safety risks.

INJURY PREVENTION

Injury prevention focuses on the reduction of injuries through the adoption of safety as an inherent part of everything we do. This is enacted through safety leadership, clear expectations, accountability and establishing a safety culture that drives learning and improvement, not blame.

This year we not only consolidated but further developed our corporate reporting platform to capture better understanding of root causes and increased levels of assurance. These additional data points will help our continued focus on becoming a learning organisation.

With regards to leadership on safety, this again has never been more critical than during the pandemic. Business unit leaders continue to manage an evolving situation through the Chemring CV-19 Playbook, ensuring the appropriate rigour and governance through our change management process. Our focus on injury prevention, in response to CV-19, continues to place more emphasis on people's emotional wellbeing, which is now supported by the newly formed Healthy Workplace sub-committee.

HSE RISK MANAGEMENT

Safe delivery of our business continues through the management of risk and is built around understanding our hazards, and establishing clear expectations and consistency. Our HSE Management System Framework Standard puts our HSE policy into practice by setting standards on eight core elements across the Group to drive a robust and common approach to the management of HSE. Each business is audited every two years to ensure compliance, with high-priority non-compliances being reported and monitored at Executive Committee level. Due to the pandemic, changes were made to our Operational Assurance Statement process ensuring alignment to the HSE framework requirements. This provided more granularity and direction when planning the Line of Defence 2 ("LOD2") audits.

In addition to our internal assurance process, a review of our electrostatic discharge ("ESD") risks is underway to help establish a framework of protocols designed to enable the development of suitable and sufficient plans to address the risks at the operational levels.

OUR HSE PERFORMANCE

We measure our HSE performance to reflect both occupational safety and process safety.



OCCUPATIONAL SAFETY

We focus not only on actual injuries but also hazards and near miss events. We therefore place an emphasis on near miss and hazard reporting as a leading indicator of our maturing safety culture. This year we had 2,602 occupational safety near miss and hazard reports, compared to 1,417 in 2020, reflecting an increase in reporting. We had a total of 9 high-potential incidents compared to 19 last year.

We are embedding this learning into the organisation through quarterly Learning from Incidents reviews with all business leaders and increased use of safety alerts, not only to share incident learning but also as good practice.

PROCESS SAFETY

There were two energetic incidents with injuries during the year, both at our Tennessee facility. In March 2021, a drum overpressurised and ruptured resulting in minor injuries to an employee that did not require medical treatment. In May 2021, an operator suffered burn injuries after a solvent-based energetic solution ignited due to an electrostatic discharge. The company retained specialist support and worked closely with operations personnel to redesign the process.

In addition to our reactive metrics we also measure process safety near miss events, with a total of 796 recorded in 2021 compared to 903 in the previous year. This reflects progress made as a result of our focus on process safety and asset integrity. During 2020 we consolidated the reporting of our leading indicator for process safety events ("PSE"), which are categorised as level 1, 2 and 3, with 3 being the event with the most serious potential. We set a target of 2.5 PSE level 2 and 3 events per 100 production employees, and this year we achieved 1.73.

HSE STRATEGY FORWARD OUTLOOK

In 2021 we reviewed the current three-year strategy focused on the control of major accident hazards, injury prevention and HSE risk management. This review resulted in an additional element regarding the right capability being added as well as a more balanced approach towards health, wellbeing and the environment. The revised strategy is therefore a natural evolution and reflects the maturity of the business. As such, during the next three years we will focus on:

- asset integrity and process safety – relating to the control of major accident hazards and PSE events including a review of all ESD risks;
- occupational health and safety – focusing on injury and illness prevention, including psychological health and wellbeing;
- environment and sustainability – to co-ordinate our work on reducing our environmental impact; and
- improved data – enabling data driven discussions and decisions leading to a more proactive culture.

Our progress against this strategy will be reported in the next annual report and accounts.



WORK, WORKER AND WORKPLACE WELLBEING IN MANUFACTURING

Work is a big part of our daily lives and can help to prevent mental ill health by giving us a feeling of purpose and a sense of contribution. Chemring Australia has been working with WorkSafe Victoria, the state's health and safety regulator, on a mental health initiative called Mental Health Essentials.

Mental Health Essentials provided managers with training on mental health awareness and strategies for the workplace. Having been involved with this initiative, Chemring Australia was invited to take part in a wider project on the work-related factors that impact worker mental health and wellbeing in the manufacturing industry.

The project, funded by WorkSafe Victoria's WorkWell Mental Health Improvement Fund, is called the 4WM Project: Work, Worker and Workplace Wellbeing in Manufacturing. It focuses on the development of preventative measures that will foster greater psychosocial safety within workplaces.

The Mental Health Improvement Fund aims to promote health and wellbeing and prevent mental injury and illness by changing workplace cultures and practices. Projects funded under this programme contribute to building the evidence base on creating and maintaining mentally healthy workplaces.

The 4WM project will run for two years and involves the collaboration of a number of manufacturing organisations in Victoria. Employees will be interviewed and surveyed initially, followed by a report on the findings from the information the project obtains.

The manufacturing industry is of particular interest to WorkSafe as it is classified as an "at risk" industry regarding workplace mental health. As a predominantly male workforce and the third largest industry in Victoria, studies have found the manufacturing industry has had historically low mental health and wellbeing outcomes due to work-related factors.

The project team will work with participants from the manufacturing industry, peak bodies, and employee representative bodies to develop evidence-based resources for the prevention of mental injury. These resources will enable manufacturing employers to respond to work-related factors impacting employee mental health and wellbeing at their root cause.



REDUCING OUR ENVIRONMENTAL IMPACT

Our goal of zero harm goes beyond the management of safety. We are committed to environmental sustainability, both globally and in our local communities, and reducing our environmental impact.

OUR COMMITMENT

We will reduce our total direct and indirect greenhouse gas (“GHG”) emissions year on year and will be carbon neutral by 2030.

INTRODUCTION

Our environmental performance information is presented in accordance with the Streamlined Energy and Carbon Reporting (“SECR”) Guidance (March 2019), as specified under the Companies Act 2006 (Strategic Report and Directors’ Report) Regulations 2013. Data is presented for our financial year, from 1 November through to 31 October, and includes information on our most significant environmental aspects: energy consumption and associated GHG emissions; freshwater use; and waste generation. The scope of the reporting includes all continuing global businesses under our operational control and does not include several small leased office spaces, where we do not have energy data and they are not in our operational control.

Our GHG emissions calculations are undertaken in accordance with the GHG Protocol Corporate Accounting and Reporting Standard. We are reporting 2020 and 2021 data and include scope 1 GHG emissions, as well as location and market-based approaches for scope 2 emissions of purchased electricity. Our key scope 1 emissions sources are natural gas and fuel oil used for building and process heating, with small contributions from fuels used in on-site vehicles and refrigerant releases. Primary scope 1 emissions are CO₂, with small contributions from CH₄, N₂ and HFCs.

Our energy and carbon figures are now recorded on a monthly basis allowing cross checks for anomalies. To ensure a consistent approach we utilise DEFRA 2020 published conversion factors for all conversions (except non-UK electricity where US EGRID and IAE factors are used). Spot checks are conducted against utility bills to validated published figures.



MORE ENERGY, LESS WASTE

The UK currently generates around 19 million tonnes of food waste per year. Much of this food waste is sent to landfill sites where it is slowly broken down into methane and carbon dioxide, potent greenhouse gases.

Chemring Energetics UK, our Scotland facility, complies with all local waste regulations but goes one step further. It segregates food waste generated in the kitchens and canteens throughout the site, so that it can be converted in a sustainable way through anaerobic digestion (“AD”).

In 2020, food waste segregated from general collection by our Scotland facility totalled 4.79 tonnes, less than 8% of the site’s total waste.

Instead of ending up in landfill, this food waste is processed in a composting facility or AD plant. AD technology converts waste food matter into biomethane. This is then used to generate green energy, which is exported to the National Grid or bottled to be sold. The remaining material (digestate) is rich in nutrients, so it can be used as a soil additive by local agriculture.



OUR APPROACH

We are actively seeking ways to reduce our impact on the environment and build resilience to climate change by focusing on energy, waste and understanding the impact of global climate change on our operations. These three focus areas were updated in 2021 based on a materiality review of our environmental impacts and risks, with a focus on impacts that we can influence. These focus areas are periodically reviewed by our Environmental Committee, consistent with broader sustainability goals and reporting guidelines.

Many of our Chemring businesses have environmental management systems and have undertaken local initiatives and programmes to reduce environmental impacts. In addition, in October 2021 we began collecting environmental data monthly at a Group level and tracking reduction progress through a dashboard system.

OUR STRATEGY

Our strategy is to reduce our global GHG emissions through improving energy efficiency to reduce consumption and by purchasing electricity from renewable sources. In 2021 we committed to becoming carbon neutral for scope 1 and 2 emissions by 2030 and working to be a net zero organisation by 2050.

To improve our energy efficiency, we continue to make improvements to our operations, including installing new energy-efficient buildings to replace old buildings, upgrading HVAC systems and improving lighting.

We continue to implement relamping projects to replace fluorescent lighting with LED lighting to improve lighting and save energy. In 2021 we conducted relamping in five buildings at our Tennessee facility.

CLIMATE CHANGE RESILIENCE

We recognise that climate change has the potential to have an impact on our operations, having experienced flooding from a severe weather event at our Tennessee facility in 2018 and wildfires in areas surrounding our Australia operations in 2019. Measures taken to mitigate these issues continued in 2021, including improving drainage at our Tennessee facility and maintaining lower vegetation heights at our Australian and Norwegian sites. A more thorough review of climate risks was not able to be conducted due to CV-19; however we intend to review the physical and transition risks of global climate change on our operations and supply chain over the next year.

ENERGY USE AND ASSOCIATED GHG EMISSIONS FOR 2021 AND 2020

Our Countermeasures & Energetics businesses in Norway and Scotland are responsible for 37% and 26%, respectively, of Group energy usage. This is followed by our business in Tennessee, which accounted for 17% of annual energy consumption. We are in the process of developing or updating carbon reduction plans in all of our businesses. Our UK



SHINING A DIFFERENT LIGHT

Chemring Energetics UK in Scotland, Chemring Energetic Devices in Chicago and Chemring Sensors & Electronics in Charlotte, North Carolina, have “relamped” to save power.

Relamping involved changing traditional fluorescent light tubes to LEDs. They are not just energy saving, but are a far safer way to light our factories and can work for up to 30 years, reducing waste too.

There is an ergonomic payback too; improved lighting means less glare and therefore reduced eye strain for our people.

operations account for 81% of our scope 1 emissions, 22% of our scope 2 emissions and 37% of our energy use.

In terms of GHG emissions, in 2021 we observed a minor (0.7%) increase in scope 1 and 2 emissions from 22,480 tCO₂e in 2020 to 22,646 tCO₂e in 2021 using location-based emission factors. When normalised for gross revenues, this reflects an increase of 3%, from 55.8 to 57.6 tCO₂e per £m of revenue.

Carbon emissions are stable. This reflects the priority this year being to understand and ensure robust energy and carbon reporting. Whilst the carbon intensity has increased from 55.8 to 57.6 tCO₂e per £m of revenue, it is due primarily to sterling strengthening against the US dollar in the year, decreasing revenue. Based on a constant currency revenue value of £408.0m our carbon intensity is stable at 55.5 tonnes per £m of revenue compared to 55.8 last year.

ENERGY USAGE ON SITE BY TYPE IN MWH HOURS (MAJOR CONTRIBUTORS)

Fuel type	2021			2020		
	UK	Rest of the world	Group total	UK	Rest of the world	Group total
Kerosene, light fuel oil and diesel	5,767	359	6,126	6,660	333	6,993
Natural gas	28,843	2,739	31,582	13,387	74,062	87,449
LPG/propane	137	1,160	1,297	30,411	2,503	32,914
Electricity	13,239	77,190	90,429	177	792	969
Total (MWH)	47,986	81,448	129,434	50,635	77,690	128,325



ENVIRONMENT continued

ENERGY EMISSIONS

	2021 ¹			2020 ¹		
	UK	US, Norway, Australia	Group total	UK	US, Norway, Australia	Group total
Scope 1 emissions – continuing operations						
Combustion of fuel in any premises, machinery or equipment operated, owned or controlled by the Group						
CO₂e (tonnes)						
Gas	5,303	504	5,807	5,587	443	6,030
Heating oil	1,475	96	1,571	1,704	89	1,793
LPG	29	249	278	38	192	230
Fuels consumed by Group-owned and leased vehicles, excluding business travel and employee commuting						
CO₂e (tonnes)						
Diesel	93	97	190	103	184	287
Petroleum	—	77	78	—	211	211
LPG	—	19	19	—	—	—
The operation or control of any manufacturing process by the Group						
CO₂e (tonnes)						
On-site waste incineration	21	147	168	1	4	5
Refrigerants discharged	73	488	561	88	649	737
Total scope 1 emissions CO₂e (tonnes)	6,994	1,677	8,671	7,521	1,772	9,293
Scope 2 emissions – continuing operations						
Total emissions CO₂e (tonnes)						
Electricity – location-based	3,086	10,889	13,975	3,145	10,042	13,187
Electricity – market-based	—	12,013	12,013	—	11,082	11,082
Total scope 1 and 2 emissions – continuing operations						
Location-based CO ₂ e (tonnes)	10,080	12,566	22,646	10,666	11,814	22,480
Market-based CO ₂ e (tonnes)	6,994	13,690	20,684	7,521	12,854	20,375
Total energy consumption (Mwh)	48,373	81,689	130,062	51,022	78,591	129,613

NOTE:

- Our 2021 and 2020 data does not include environmental impacts associated with Chemring Ordnance and Chemring Energetic Devices' Torrance and Santa Clarita sites, which were sold or closed during the reporting period.

	2021	2020
Total scope 1 and scope 2 emissions CO ₂ e (tonnes) – continuing operations and location-based	22,646	22,480
Group revenue (£m)	393.3	402.5
Total CO₂e (tonnes) per £m of revenue	57.6	55.8

WATER CONSUMPTION

In 2021 we used a total of 1,220,000 metres³ of freshwater. We had a slight reduction from our 2020 use obtained through improved maintenance at our Norway facility. None of our operations are in water-stressed regions as defined by the United Nations. Our Australian facility continues to collect and use rainwater that falls on the site for facility needs.

	2021			2020		
	UK	US, Norway, Australia	Group total	UK	US, Norway, Australia	Group total
Freshwater (m³)						
Freshwater use	668,000	552,000	1,220,000	578,989	686,823	1,265,812



WASTE GENERATION

In 2021 our total hazardous and non-hazardous waste was 363 and 2,173 tonnes respectively, reflecting a 10% reduction and 39% increase from 2020. Of this, 9% of hazardous and 47% of non-hazardous waste was recycled. As we continue to improve our data reliability, we have a better baseline for planning reductions. Our new reporting system will allow tracking of waste destinations in 2022 in support of our zero waste to landfill goal.

	2021			2020		
	UK	USA, Norway, Australia	Group total	UK	USA, Norway, Australia	Group total
Waste (tonnes)						
Recycled, non-hazardous	397	635	1,032	191	601	792
Recycled, hazardous	32	1	33	88	1	89
Not recycled, non-hazardous	164	977	1,141	143	625	768
Not recycled, hazardous	88	242	330	51	262	313
Total waste (tonnes)	681	1,855	2,536	473	1,489	1,962

At our Countermeasures & Energetics businesses we generate unique waste which is often best managed by destroying it at on-site treatment facilities. In 2021, we commenced work on upgrading the testing and treatment facilities at our Scotland facility.

With respect to waste management there are two priority areas: the reduction of waste generation and the reduction of waste sent to landfill. To help track progress in these areas we have begun recording the amount of waste sent to landfill, and are evaluating and updating our waste reduction plans at our largest waste-generating businesses.

LAND QUALITY

Our facility in Chicago, US, is located on a site which has “superfund” status under the US contaminated land regime. The business continues to work with consultants and the regulatory authorities to ensure that its legal obligations in relation to this matter are fully satisfied.

In 2021 we also incurred environmental costs associated with legacy sites in Belgium and Italy in accordance with the terms of sale of those businesses. The Group carries a £3.0m (2020: £3.2m) provision in respect of environmental liabilities, which the Board considers to be adequate (see note 23 of the 2021 annual report and accounts).

ENVIRONMENTAL INCIDENTS

There were no significant environmental incidents in the year.

ENVIRONMENTAL FINES OR PENALTIES

The Group had no fines or penalties in the last three years.



CLEAN SHEEP

With acres of grass around Chemring's Lara site, the team in Australia has turned to local livestock to help manage the grounds.

The animal employee base has now expanded significantly to include sheep, lambs and horses in order to keep the grass under control at the facility – removing the need for grounds maintenance equipment and reducing air and noise pollution.

This is not just good for the environment, it is having a positive knock-on effect on wellbeing.



INVESTING IN OUR PEOPLE

Chemring people are at the heart of our business. Our goal is to ensure that we have the right people, in the right place, at the right time, with the right skills working in a safe, healthy and inclusive environment. Investing in our people has never been more important.

OUR OVERALL PEOPLE APPROACH IS FOCUSED ON FIVE KEY AREAS:



THESE AREAS ARE UNDERPINNED BY THE CHEMRING CULTURE



CHEMRING CULTURE – WE ARE ON A MISSION

Since the spring of 2019, we have been on a mission to understand what it is really like to work at Chemring from the perspective of colleagues in every part of the business.

Conversations had in 2019 were just the start. With each business unit leader reviewing the themes from the conversations, we started to work on different areas in each business. The message was clear: our culture is the glue that holds our business together. The stronger the glue, the stronger the business.

Over the past two years, we have seen many activities in support of strengthening that glue. And the journey continues – from the Culture Club at Chemring Energetics UK in Scotland, to the links with the local college at Chemring Countermeasures USA in Tennessee, and from marathon running at Chemring Countermeasures in Salisbury, to the Cycle to Work scheme at Chemring Nobel in Norway. Hundreds of hours and many different actions have started to make a real difference to the experience of working at Chemring.

The Employee Voice tool was launched in 2019 as part of our focus on culture. Employee Voice is a key part of understanding how we are doing and if things are changing.



CHEMRING CULTURE

The heart of our people approach is having the right people, in the right place, at the right time. Our people approach is underpinned by our culture. The Chemring culture is the soil that allows everything else to grow.

By having the right tools and processes in place to attract, develop and retain great colleagues we can ensure that we have the best people supporting our mission at Chemring. Our People Strategy is built on these three tenets – attract, develop and retain – supported by the Chemring culture.

Our investment in our culture, which started with a full review in every part of the business in early 2019, is now embedded in every part of Chemring.

The 2019 review enabled us to set a clear aspiration for the Chemring culture, and this was used to create a framework around which all our actions are set and measured. These aspirations are focused around four key areas:

- customer centricity;
- leadership;
- the employee experience; and
- diversity, equity and inclusion.

We continue to review and enhance our approach to developing our culture, constantly assessing the actions we need to take in order to maintain progress. Since 2019 the business has focused its efforts in each of these four areas. Actions have included:

- Leading our People development programme for all line managers globally in support of developing Chemring leaders;
- performance conversations taking place between line managers and team members every six to eight weeks replacing the annual review process;
- employee forums run locally to focus on specific areas of concern or interest in the business and to create actionable solutions. Topics range from how to support improved collaboration between functional areas, to developing competency models for operators;
- hybrid working principles agreed for each part of the business and the development of local hybrid working policies to put these principles into action;
- community and recognition events such as charity fundraising, working with veterans organisations and hosting thank you events for staff who have worked tirelessly through the pandemic; and
- Early Careers development programme for all new graduates and apprentices joining in autumn 2021 in the UK providing early leadership and people skills development and the opportunity for building a cross business network.

Measuring progress is key to understanding how far we have come in achieving our cultural aspirations. Our Employee Voice initiative ensures that we are regularly checking in with colleagues to track and share our progress towards the aspirational culture goals. The initiative, which is underpinned by a real-time bespoke sentiment tracking tool, creates dashboards of participation and positivity around those cultural markers we know are important. Business unit leaders review regularly and share progress with colleagues at all levels through multiple channels.

There is still work to do. The impact of the CV-19 pandemic has been felt in many parts of the business and the ability to bring colleagues together face to face has been significantly impacted. Similarly the opportunity to meet with customers and to host third parties at our locations has been

reduced with the primary requirement being to keep our colleagues, communities and families safe. As restrictions ease the opportunity to interact and collaborate in real time provides the opportunity for more work to support the cultural journey.

Making sure that we have an appropriately diverse pool of talent within the organisation is a fundamental metric. Ensuring that our employee gender diversity is reflected in our Board make-up has been a key focus over the past two years and we are delighted that this has been maintained this year.

Our wider focus on diversity equity and inclusion has further developed this year. The establishment of a strategy and framework of activity to ensure progress towards this important cultural and behavioural element has been a key milestone in 2021. Starting with ensuring corporate and personal awareness of the importance of a diverse population, and an inclusive culture and systems that help support equality and drive equity, a programme of workshops is now in place for all our senior leaders and managers. This will continue through 2022 when a programme of mentoring and sponsorship for less well represented populations within the Group will commence.

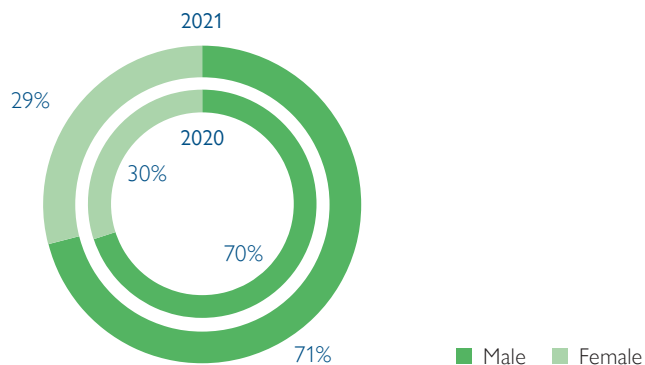
UNDERSTANDING OUR POPULATION

Our Chemring business is highly diverse. Our colleagues work in diverse environments across the globe, with skill sets ranging from scientists, engineers, technicians and operators to deep functional experts in areas such as health and safety, people and technology.

Our success depends on understanding our global population. Investment to date has been around understanding levels of engagement and the employee experience. Technology also enables better understanding of the employee population and investment in HR technology systems has been a significant focus in 2021. A full review of all HR systems and processes in each part of the business has been completed. From this the identification of opportunities for system simplification and process streamlining will commence in 2022 including identification and mitigation of any risks.

Understanding the changing needs of our colleague population is a key element of our people approach. Accordingly, the heart of our People Strategy is having the right people, in the right place, at the right time. And that is achieved through a balance of effective recruitment, opportunities for development, great managers, and a productive and inspiring culture.

TOTAL POPULATION





OUR PEOPLE continued

DEVELOPING OUR PEOPLE

340+

line managers and supervisors involved in global Leading our People management development initiative

>55

graduates and apprentices hired in the year

LISTENING TO OUR PEOPLE

>1,800

colleagues with regular access to bespoke Employee Voice pulse survey

45%

regular response rate of participants

>70%

positivity score

UNDERSTANDING OUR POPULATION continued

In 2021 we introduced hybrid working principles as a benchmark for each business to develop their own locally tailored hybrid working policy. These will be in place for every part of the business from the start of 2022.

These policies are available for all colleagues and provide the opportunity, where the individual and business priorities can be supported, for work to be completed remotely, including from home.

This approach is a reflection of the success of home working for many non-operational colleagues through the pandemic which was designed to keep all colleagues as safe as possible through reducing footfall on site to those who were critical to the production efforts. The maintenance of some of these new work routines is in support of the different needs of our colleagues and enhances our ability to attract and retain talent in an increasingly competitive market.

ENGAGING WITH OUR PEOPLE

Communication both within and across the Group is key to engagement. Each business unit uses a range of formal and informal channels including all-hands meetings, smaller team briefings, employee forums, direct email messaging and the CEO's vlog, with an active Q&A encouraging anyone from across the business to ask a question, as well as regular distribution of the Chemring magazine, Chemring-i, which has been refreshed and relaunched in the year.

In 2021 we revisited the culture review work which commenced in 2019. As part of this review, colleagues from every part of the business had the opportunity to meet with an external consultant and share their experiences of being a Chemring employee. The themes from these discussions were reviewed against the themes from 2019 and the data from the Employee Voice tool to corroborate progress.

The Employee Voice tool has generated over 40,000 responses during 2021 from our colleague base of 2,300, as well as over 4,000 individual written comments. The tool is based around the cultural aspirations we set ourselves as a result of the 2019 review and tracks progress towards these goals. With so much activity happening in all areas of the business to develop and grow the Chemring culture, the ability to track progress at business unit level, as well as Group wide, is very important.

Throughout 2021, positivity – the extent to which a colleague feels positive about our culture and their experience of working at Chemring – has stayed consistent at just over 70% with little variation across the year. Despite the challenges of the pandemic, our colleagues remain positive about working at Chemring. Work continues to drive as much participation as possible from all colleagues, from current levels of just under 50% regularly responding, to ensure that there are no barriers to participation. A regular review of the responses at business unit level and globally (with the US and the rest of the world taken as two different groups) ensures that concerns are identified quickly and addressed in real time.

During the year, Laurie Bowen, as Chairman of the Remuneration Committee and non-executive director charged with employee engagement on behalf of the Board, met again with groups of colleagues from different business areas and at different levels in the organisation to hear direct from them their views on working at Chemring as well as sharing the work of the Board. These groups were drawn from Countermeasures UK and Roke in the UK, and Sensors & Electronic Systems in the US. Participants were drawn from across each level of the business units and met with Laurie in small groups. Colleagues were positive about the opportunities for development within their business unit and felt that Chemring provided good levels of support to them and their families during the CV-19 pandemic. Collaboration, which was a key theme in 2020, was raised again; however, there was a focus now on collaboration between business units. Collaboration and communication within the business units were seen to have improved.

DEVELOPMENT FRAMEWORK





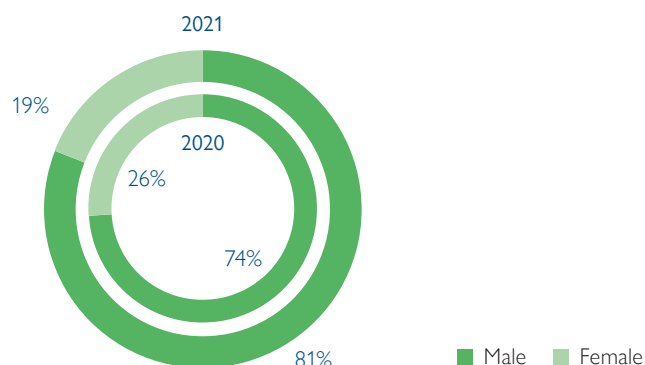
The Annual Leadership Forum due to be hosted in the UK in June 2021 was cancelled for a second year due to the global pandemic. Regular updates and virtual meetings of the global leadership teams have ensured that this key group remains well connected and up to date on the challenges around the business and have provided the opportunity for discussion and debate.

DEVELOPMENT AT CHEMRING

Development at Chemring can be divided into technical skills and people skills. Technical skills focus on the competencies needed to undertake specific work tasks. People skills include communication, teamwork and leadership. We believe that a blend of both skillsets is an essential part of all roles across the Group.

Development is the cornerstone of the drive to continuously improve the quality of our business. Our colleagues are involved in performing a huge number of often complex processes and procedures which challenge their technical expertise every day. Work continues to ensure high levels of operator competence throughout the organisation. Individuals across the organisation are encouraged to undertake continuing professional development as required to ensure that expertise and knowledge remain up to date. Additionally through different routes, further technical development, including workplace PhD programmes and MBA study, is actively undertaken by a number of colleagues.

TOTAL GRADUATES AND APPRENTICES



There has been additional focus on development for apprentices and graduates in 2021. In the year we welcomed over 40 graduates across the UK business units and 15 apprentices into multiple disciplines. Our business wide approach to ensuring appropriate development of non-technical skills from an early point in a graduate or apprentice's career with Chemring supports the development of future leaders for the business. Additionally, with the programme focusing on the full graduate and apprentice cohort, this creates the opportunity for networking and collaboration across the business units.

We continue our commitment to sponsoring bursaries for undergraduates through the Institute of Engineering and Technology which underlines our commitment to supporting future generations of scientists and engineers.



SHARING SKILLS, NETWORKS AND EXPERIENCES

International secondments are a great way to fill vacancies from within and share knowledge across countries and business units.

They can bring a wide range of benefits, both for Chemring and the individual, as well as offering excellent opportunities to develop new skills and experience different cultures.

Nick Baglioni has just completed a secondment in the UK from Chemring Australia, alongside Jamie Howkins, who did the reverse and went to Australia in 2018 for three years.

In Nick's case, for Chemring there were real benefits in knowledge transfer. He brought experiences from the automated facility, Beta, at Chemring Australia in Lara to the automated facility, Alpha, at Countermeasures UK in Salisbury. Salisbury was revamping manufacturing at the time, pushing production through Alpha, and Nick was able to share his knowledge on Beta as the two facilities are almost identical in many ways.

On a personal scale Nick experienced a different work culture and learnt new production processes and continued professional development with lots of courses, such as automated software and mechanical design.

Jamie travelled extensively in Australia and has learnt a lot from his experience. He says, "So much about the Australian way of life needs to come back to the UK. From a professional point of view, there is a lot too, from turning around a business and changing the culture, to winning contracts and all that entails. It's also important to take time to think deeply about issues and implications, embracing flexible working practices, as well as the importance of teamwork and good communication."

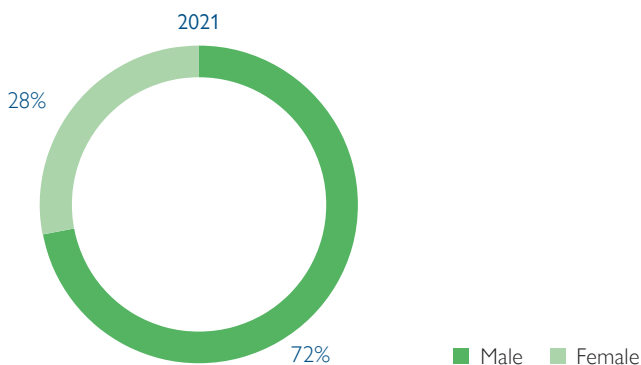


OUR PEOPLE continued

DEVELOPMENT AT CHEMRING continued

The line manager and supervisor development programme – Leading Our People – continued throughout 2021. With over 340 participants in the Leading our People programme, over 85% of the population are impacted through participating or being managed by a colleague who has participated. Despite the challenges of the CV-19 pandemic, all business units continued with some level of development, supported by centrally created skills sheets to support the new requirements of managing remotely or managing teams which were reduced in size due to CV-19 related absence.

KEY ROLE TALENT PIPELINE



The Leading our People programme is based around a global approach to ensuring all line managers understand the people policies and processes affecting their teams locally and are trained in their responsibility for these. Additionally they receive training in six core topics to support their development as effective managers and leaders. These topics are supported globally, and tailored and deployed locally: Global Voice, Local Accent.

Internal networks of colleagues are increasingly important to knowledge sharing and innovation. The Leading our People programme has a focus on enabling new networks to develop and new relationships to form within businesses. This underpins our culture of collaborating and sharing to support the core values of Innovation and Excellence.

Our future senior leaders are supported through the Emerging Leaders programme which was established in 2018. Whilst a second cohort of participants was planned to participate in 2021, this programme was paused due to the challenges of international travel and the restrictions around bringing groups of colleagues together. The programme was reviewed to challenge whether it would be successful as a virtual learning intervention. However, a key element is building networks through shared experiences and therefore the programme is planned to restart in 2022.

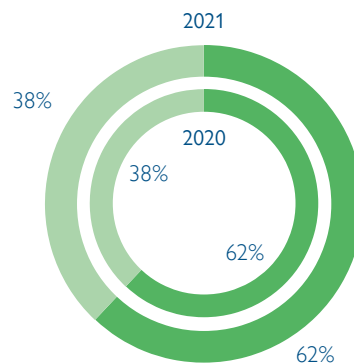
In 2021 a global framework for assessing and supporting talent and succession planning was introduced into every business unit. This framework provides a consistent approach to understanding key roles in the business and creating an understanding of the talent pipeline for each role. Action plans for both the individual and the organisation are in place to ensure progression. Diversity data for talent pipelines shows that there is some work to do to develop a broad range of talent for key roles and this is an area for focus in 2022 and is aligned to the ESG work and the requirements of the Hampton-Alexander Review and the Parker Review for diversity at senior levels.

Additionally our partnership with International SOS for the provision of health and travel advice has strengthened in 2021 and now includes bespoke workshops around areas such as vaccinations for travellers, healthy workplace support during the pandemic and advice for leaders on how best to support their teams and guide their businesses through the pandemic and government guidance.

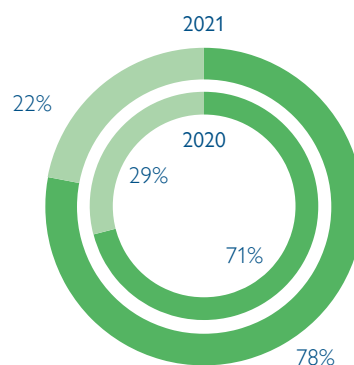
Wellbeing continued to be a key theme in 2021. In line with the approach of Global Voice, Local Accent, a global committee focusing on creating and maintaining a healthy workplace has been established in the year. This brings together colleagues from across the Group to consider how best to support and maintain a healthy workplace for all colleagues.

As part of line manager development and through the early careers network events, areas such as maintaining mental health have been addressed as well as helping individuals to develop healthy habits. Mental health first aid training has continued across all business units in 2021.

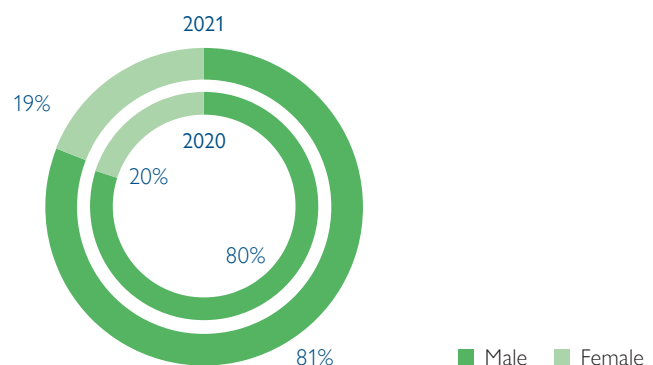
BOARD DIRECTORS



EXECUTIVE COMMITTEE



SENIOR MANAGERS





Support through the provision of occupational health services on demand in each location has been used extensively in 2021 through the pandemic. Additionally the provision of Employee Assistance Programmes, which have been in place for a number of years, has seen higher levels of usage in 2021 and there has been a significant focus on ensuring colleagues understand the help available to them in a number of areas and how to access it.

DIVERSITY AND INCLUSION AT CHEMRING

We are committed to ensuring that we continue to support the identification, attraction, hiring, development and promotion of all talent. Chemring strives for diversity on a broad basis including gender, age, background, education, disability, neurodiversity and nationality (within the constraints of our regulatory requirements). This is an area where we continue to develop both globally and locally and which will be central to our success in the coming years.

Our focus on culture and our ongoing development of our approach to supporting all colleagues mean that we have an increasing number of formal and informal groups around the business which support and connect people with shared characteristics or interests. Alongside the Employee Forums we also encourage groups representing specific diverse characteristics.

As an employer we make no distinction between disabled and able-bodied persons in recruitment, employment and training, career development and promotion, provided that any disability does not make the particular employment impractical or impossible under the stringent regulatory requirements under which Chemring operates.

As part of our review of all HR systems and processes globally, we are committed to ensuring that all our recruitment procedures, both internal and external, and our promotion and development approaches incorporate our commitment to diversity. Today we ensure that any external bodies we work with to support our hiring efforts have diverse candidate pools and attraction approaches that are open to all suitably qualified individuals and we ask questions at appointment around these important areas.

As a business, we are committed to meeting, at a minimum, the labour rights and legislation requirements in each country in which we operate. In practice, we often exceed these requirements.

We are proud to be a Living Wage employer, and are aligned to the local definition of Living Wage in all our geographies, exceeding this level for all permanently employed colleagues in all roles. We are aligned to the regulatory requirements in all geographies around gender pay equality.



MARATHON FUNDRAISING

Colleagues at Chemring Countermeasures UK ("CCM UK") pulled together over March to raise vital funds for a local homeless charity by collectively running or walking a marathon.

With eight teams and several individual runners, the full length of a marathon (26.2 miles) was divided up and split between the participants. Every runner/walker had the month of March to complete their allocated distance.

Participants were asked to donate £5 via a JustGiving fundraising page to support Alabare, the chosen charity. The charity, which is local to Salisbury, helps ensure that homeless veterans, or those at risk of becoming homeless, are kept off the streets. It helps those in need to transform their lives, providing accommodation and support to help them build skills, confidence and opportunities to live a fulfilled life.

The charity was chosen due to its links with veterans. The fundraising challenge was selected to help support colleague health and wellbeing after being in and out of lockdowns for the past year.

After many generous donations, and together with previous fundraising initiatives, the CCM UK team was able to donate a much needed £1,000 to Alabare.



OUR PEOPLE continued

CHEMRING IN THE COMMUNITY

We recognise that each of the Group's businesses has an important role to play in its local community. We have a recognised community investment policy, which confirms our commitment to support selected charitable causes with a focus on the military and armed services, and those linked to the local communities in which the Group's businesses operate. Each business has its own locally held charity budget, and at a Group level, charitable donations are considered by the Executive Committee.

In addition to making cash donations, the Group also encourages and supports employees who undertake voluntary work in the local community, where appropriate. During the year, employees donated their time and services on a wide range of projects. In particular throughout the CV-19 pandemic our colleagues and businesses have provided significant support with the production of PPE including Perspex face shields for use in healthcare settings, and the making of face coverings on site for use by colleagues at no cost.

Fundraising for charities of importance to each business unit has been a focus in 2021 and supports our employee engagement focus.

Across the business, our people are involved with a number of educational initiatives and as a business we have relationships with several universities, whereby funding is provided for students' research activities. Our relationship with the Institution of Engineering and Technology now spans four years with support provided directly to undergraduates studying for engineering and science-related degrees in the UK who have faced some level of hardship in achieving a place to study their chosen programme. These high calibre students are provided with financial support via a Chemring funded bursary and the opportunity for work experience and career support from the Chemring businesses in the UK.

Finally we appreciate that the CV-19 pandemic has affected different groups in different ways. One key challenge was for parents of school age children who have had to support homeschooling often alongside working from home themselves or balancing being able to come to work. One issue many colleagues shared was access to appropriate technology to support their children with homeschooling. At Chemring we have been able to provide laptops and tablets which were no longer required within the business to colleagues who had a clear need to support their children. We now have an ongoing programme in the UK of providing surplus hardware to colleagues whose families will benefit from using it.

We are aware that on occasion our manufacturing activities can impact on the local community. This impact may be due to product proofing or testing, for example. In these instances, the businesses seek to actively liaise with local residents and community groups to minimise any impact. The Group is also cognisant of the potential impact of its operations on the local environment, and is addressing this through its environmental strategy.



Roke is very proud to have received a prestigious award from the Ministry of Defence ("MOD") for its support and continued commitment to the Armed Forces community.

The Employer Recognition Scheme ("ERS") Silver Award is the second highest badge of honour presented to organisations that demonstrate their support to the Armed Forces and inspire others to do the same.

As a Silver Award winner, Roke has shown it actively communicates and upholds a positive stance towards employees who are veterans, Reservists and Cadet Force adult volunteers, as well as spouses and partners of those serving in the Armed Forces.

The values of the ERS closely align with our mission and culture, which are dedicated to combining and applying emerging technologies to keep people safe, while unlocking value.

Roke signed the Armed Forces Covenant in 2017 and was delighted to receive a Bronze Award in 2018. There are over 30 Roke employees in our Armed Forces community, and they are supported through several policies and initiatives designed to make the transition from service personnel to employee as smooth as possible.

Paul MacGregor, Managing Director of Roke, commented, "This award means a great deal to Roke and recognises the enormous contribution and commitment that our servicemen and women make in defence of our country.

"Their considerable leadership, management and engineering skills honed during military service strengthen our ability to understand our defence customers' complex operational and technical challenges. These skills are vital to our future success."



DOING THE RIGHT THING

Chemring is committed to conducting its business in an ethical and responsible manner at all times, and in full compliance with all applicable laws and regulations.

OUR APPROACH

We are committed to promoting a culture within Chemring where everyone does the right thing and takes personal responsibility for their actions. Our Operational Framework and Code of Conduct set out the standards of business conduct and behaviours we expect of all of our businesses, our employees and all third parties who act on our behalf. We require all employees and third parties who act on our behalf to conduct business honestly and with integrity, and to take personal responsibility for ensuring that our commitment to sound and ethical business conduct is delivered.

ETHICS & COMPLIANCE COMMITTEE

During 2020, the Board established an Ethics & Compliance Committee, chaired by Carl-Peter Forster, with the other members being the Group Chief Executive, the President of our US operations and the Group Legal Director & Company Secretary. The Committee has oversight of the Group's ethical business conduct and compliance framework, including our anti-bribery processes. It monitors the implementation of the framework across the Group and recommends areas for future improvement.

The Committee met three times during the year. At every meeting the Committee reviews and monitors compliance with our anti-bribery processes and reviews whistleblowing reports received and associated investigations. During the year the Committee also reviewed:

- the implementation plans and training material for the Chemring Compliance Portal;
- proposed arrangements for the independent audit of selected third party sales partners;
- our enhanced procedures for the handling and investigation of whistleblowing reports, and associated training for members of our leadership teams;
- an updated US Ethics Code and Chemring Code of Conduct; and
- a new policy on sales to customers located in higher risk territories.

The Chairman reports to the Board on the Committee's activities following each meeting.

OPERATIONAL FRAMEWORK

Our Operational Framework, which was implemented in January 2019, incorporates a broad range of more than 35 policies and procedures which have been adopted by all of our businesses. The Operational Framework implements a robust governance and compliance framework to enable us to operate in a safe, consistent and accountable way.

The leaders of each of our businesses are required to ensure that:

- every employee, at every level of the organisation, has access to and understands the requirements of the Operational Framework;
- appropriate training and monitoring processes are in place to ensure proper implementation of the Operational Framework; and
- local procedures and processes are adopted to implement the requirements of the Operational Framework.

All of our Operational Framework policies, procedures and associated training material are now hosted on the Chemring Compliance Portal. This innovative online system allows us to issue new and updated policies and training to employees across the Group, targeted to their specific roles, and enables us to monitor completion of mandatory training on a timely basis.

Our governance framework also includes a requirement for all businesses to complete an Operational Assurance Statement on a half-yearly basis, providing a detailed assessment of their compliance with the Operational Framework. The operational assurance process was strengthened during the year with the inclusion of a more comprehensive self-assessment in relation to compliance with our HSE Management Framework. In addition, minimum Group-wide standards have now been set for compliance with key legal and compliance policies, which the businesses are required to report against.

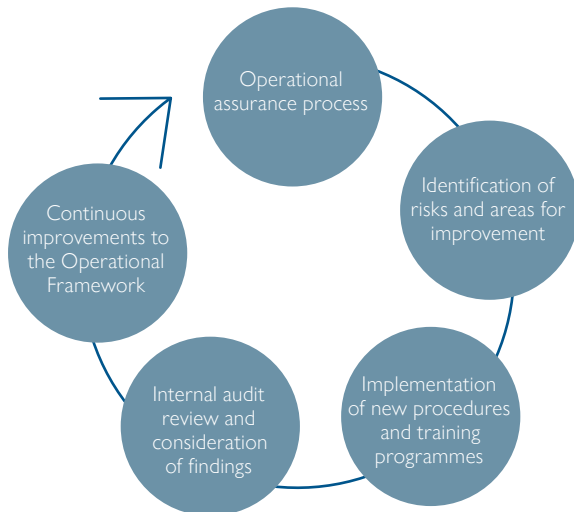
The output from the operational assurance process is enabling us to drive continuous improvement in our governance and compliance framework, including the identification of additional training requirements for our employees.



ETHICS AND BUSINESS CONDUCT continued

OPERATIONAL FRAMEWORK continued

It also allows us to monitor and address the evolution of a number of the key risks we face, and is providing valuable input to our internal audit programme.



CODE OF CONDUCT

Our Code of Conduct, which sits alongside our Operational Framework, embraces our fundamental values of Safety, Excellence and Innovation. It provides direction to all employees on legal, ethical and risk issues that they may encounter in their day-to-day activities.

All employees and all third parties who act on the Group's behalf are required to comply with our standards of behaviour and business conduct, as set out within the Code, and applicable laws and regulations in all of the countries in which we operate. All employees, current and new, are provided with a copy of the Code of Conduct and asked to confirm that they will adhere to its standards. The Code is reproduced in Norwegian for our employees in Norway.

The Code was updated and reissued to all employees during the year, together with refreshed training material. We intend to supplement this with more detailed training on specific aspects of the Code, which will be disseminated through the Chemring Compliance Portal, over the next year.



WHISTLEBLOWING

Our Chemring culture embraces transparency and openness, and we encourage all employees to speak up if they have any concerns. We have a whistleblowing policy and associated procedures in place which enable all employees to raise concerns, in confidence, about possible improprieties or wrongdoing within the business, without fear of reprisal or retaliation. Employees are able to raise issues by contacting our 24-hour ethics reporting service by phone, email or an external website. All issues reported are taken seriously and investigated appropriately in a confidential manner. Third parties may also access our ethics reporting services.

During the year we further enhanced our internal procedures for the handling of whistleblowing reports to ensure that all reports made, whether through the external service or through other internal channels, are dealt with in a proper and consistent manner, with appropriate oversight from the UK and US legal departments. We also provided training to members of our leadership teams on how to identify whistleblowing reports which may emanate through less-obvious channels and how to engage with employees who make whistleblowing reports.

ANTI-BRIBERY AND CORRUPTION

The Group has well-established anti-corruption policies, which are included within our Operational Framework. Specifically, these cover bribery and corruption, conflicts of interest, gifts and hospitality, and facilitation payments. A number of other policies within the Operational Framework also address bribery and corruption risks in areas such as finance, political donations and lobbying, charitable donations and offset.

A new policy on sales to customers located in higher risk territories was adopted in the year, which requires our businesses to prepare a risk mitigation plan for any proposed transaction in a territory rated less than 50 on Transparency International's Corruption Perceptions Index. This plan is required to address both bribery and corruption risks and broader risks which may be encountered in doing business in such territories.

Our detailed anti-corruption procedures are incorporated within our Bribery Act Compliance Manual ("BACM"), which is updated on a regular basis, and includes requirements for:

- each business to routinely conduct informed bribery risk assessments as part of normal operating procedures, to determine the nature and extent of the Group's exposure to potential internal and external risks of bribery and corruption on its behalf by persons associated with it;
- approval of the appointment of all sales partners and other third party advisers, which in all circumstances requires the completion of risk-based due diligence, appropriate management approvals, use of standard form contracts, and ongoing monitoring and review;
- risk-based anti-corruption processes for the engagement of service providers and suppliers;
- regular mandatory training on BACM and its application to their respective roles for management, supervisors and all employees working within commercial, sales and marketing, finance and human resource functions or in customer-facing roles;
- approval of the giving and receiving of reasonable, proportionate and appropriate gifts and hospitality in the normal course of business; and
- proper identification, disclosure and management of potential or actual conflicts of interest.

A BACM "Pocket Guide" is issued to all employees across the Group, which provides an overview of our anti-corruption policies and the requirements of the detailed manual.



All businesses are required to complete a BACM Compliance Certificate on a bi-annual basis, confirming that all policies and procedures within BACM have been complied with and providing supporting information to demonstrate compliance. BACM Compliance Certificates are reviewed by the Ethics & Compliance Committee following each submission.

We recognise that the appointment of third party sales partners in our routes to market can present particular bribery and corruption risks, and we therefore implement enhanced anti-corruption procedures for the engagement of sales partners where there is a genuine business need by mandating:

- restrictions on the number of sales partners to be engaged in each territory;
- the preparation of a full business case to justify the appointment of all new third party sales partners in future, including a two-stage bribery risk assessment incorporating the requisite level of risk-based due diligence, which must be approved by the Group Chief Executive before the sales partner is appointed;
- due diligence reports from external consultants for higher risk appointments;
- a full annual reappointment process for all retained sales partners, including recommissioning of the appropriate risk-based due diligence and resubmission of a full business case for approval by the Group Chief Executive; and
- increased reporting requirements for all payments made to third party sales partners and higher risk service providers.

The review and approval processes for our third party sales partners have now been automated through the Chemring Compliance Portal. These processes were previously paper-based and the new system enables us to adopt a more consistent approach to the application of our due diligence and approval processes across the Group. We are also in the process of transitioning all of our third party service providers and higher risk suppliers on to the new system.

The Chemring Compliance Portal also incorporates a module for employees to seek approval online prior to giving or receiving gifts and hospitality, or making charitable donations on behalf of the business.

During the year we instigated a programme under which certain of our third party sales partners will be subject to audit by an external consultant. One audit was completed during the year and a second is in progress. These audits will help to further strengthen our existing anti-bribery and corruption processes.

Compliance with BACM procedures continues to be a core aspect of PricewaterhouseCoopers' ("PwC") internal audit programme.

HUMAN RIGHTS

The Group is committed to respecting human rights in the countries in which we do business. Our Code of Conduct and other applicable policies under the Operational Framework support our commitment to ensuring, as far as we are able, that there is no slavery or human trafficking in any part of our business or in our supply chain. All suppliers are provided with a copy of our Supplier Code of Conduct, which requires them to adhere to our ethical standards and expectations, including in relation to human rights. We do not knowingly support or do business with any suppliers who are involved in slavery.

A statement of the Group's compliance with the Modern Slavery Act 2015 can be found on the Group's website at www.chemring.com.

We fully adhere to all relevant government guidelines designed to ensure that our products are not knowingly incorporated into weapons, or other equipment, used for the purposes of terrorism, international repression or the abuse of human rights.



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