CONTINUING TO INNOVATE, PROTECT AND GROW

CHEMRING GROUP PLC
SUSTAINABILITY REPORT 2022

Chemring
Innovating to protect

CONTENTS

CONTENTS

01 What we do
02 Sustainability overview
04 Introduction to sustainability
07 Health and safety
09 Environment
12 Independent Assurance Statement to Chemring Group PLC
14 Task Force on Climate-related Financial Disclosures ("TCFD") report
19 Our people
28 Ethics and business conduct

OUR PURPOSE

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

OUR 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.

DISCOVER MORE ABOUT CHEMRING AT CHEMRING.COM

WHAT WE DO

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 ("R&D"), through to design, manufacture and in-service support for our sensors and detection systems, countermeasures, precision engineering and energetic products.

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

CHEMRING IS ORGANISED INTO TWO STRATEGIC SECTORS

SENSORS & INFORMATION

Innovation is core to solving our clients' difficult problems.

With over 700 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, R&D, 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 and SpaceX, 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.

SUSTAINABILITY OVERVIEW

COMMITTED TO A SUSTAINABLE FUTURE

At Chemring we acknowledge and embrace our collective responsibility 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, sustainable and ethical business conduct at all times. Our goal is to ensure that we protect our planet and our people, support our customers and their critical needs, and that we have a positive impact on the communities in which we operate.

Improving our sustainability performance plays a key role in the way in which we run our business today, and plan for the future as we manage our environmental, social and governance ("ESG")- related risk. Our sustainability goals are now directly linked to targets for remuneration and reward across our leadership teams.

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 as we build a sustainable company of which all our stakeholders can be proud.

PURPOSE

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

STRATEGY

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

APPROACH

The long-term success of Chemring can only be enhanced by a positive interaction with all of our stakeholders. An engaged and constructive approach is therefore important to us. Following the stakeholder materiality assessment that was undertaken in 2021, our approach is now focused on the following key topics and associated areas of focus.

MAKING THE WORLD A SAFER PLACE

HEALTH AND SAFETY

- Control of major accident hazards
- Injury prevention
- HSE risk management
- Occupational and process safety

Read more on pages 07 to 08

ENVIRONMENT

- Emission reduction
- Waste generation and hazardous materials management
- Energy usage
- Water consumption

Read more on pages 09 to 18

PEOPLE

- Culture
- Diversity and inclusion
- Employee wellbeing and engagement
- Employee learning and development

Read more on pages 19 to 27

ETHICS AND BUSINESS CONDUCT

- Operational Framework and Code of Conduct
- Compliance oversight and risk management
- Whistleblowing
- Anti-bribery and corruption

Read more on pages 28 to 29

Our commitment to protection goes beyond our customers and immediate stakeholders, it includes our planet and broader society and is underpinned by our values and behaviours.

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

As of 2022, Chemring Group PLC received an MSCI ESG Rating of AAA.*

PROGRESS IN 2022

Chemring's purpose is to help make the world a safer place and Russia's invasion of Ukraine has tragically highlighted the critical role that the defence and security industry plays in preserving peace, democracy and freedom in the western world. It has reinforced the argument that for sustainability to thrive, it requires global stability at its foundations. We are proud of the role that Chemring plays in providing that stability and are equally focused on ensuring that we manage and progress our own sustainability agenda, and in particular our ESG-related risks.

It has been another busy year in which we have built on the good progress made during FY21.

Our ESG 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.

ESG HIGHLIGHTS

HEALTH AND SAFETY

Total recordable injury frequency rate 0.78 (2021: 0.67)

High-potential incidents: 13 (2021: 9)

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

ENVIRONMENT

Green House Gas ("GHG") and carbon emissions flat (<1% difference year-on-year)

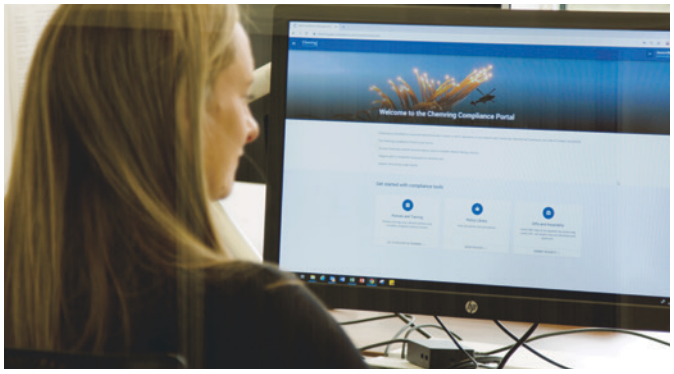
Carbon reduction plans being implemented in every business

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

* The use by Chemring Group PLC of any MSCI ESG research LLC or its affiliates ("MSCI") data, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement, recommendation, or promotion of Chemring Group PLC by MSCI. MSCI services and data are the property of MSCI or its information providers, and are provided 'as-is' and without guarantee. MSCI names and logos are trademarks or services marks of MSCI.

DISCOVER MORE ABOUT SUSTAINABILITY: CHEMRING.COM/SUSTAINABILITY/COMMITTED-TO-A-SUSTAINABLE-FUTURE

INTRODUCTION TO SUSTAINABILITY

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 technologies and products that 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 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.

PROGRESS IN 2022

Chemring's purpose is to help make the world a safer place and Russia's invasion of Ukraine has tragically highlighted the critical role that the defence and security industry plays in preserving peace, democracy and freedom in the western world. It has reinforced the argument that for sustainability to thrive, it requires global stability at its foundations. We are proud of the role that Chemring plays in providing that stability and are equally focused on ensuring that we manage and progress our own sustainability agenda, and in particular our ESG-related risks.

It has been another busy year in which we have built on the good progress made during FY21.

ESG forms part of our everyday thinking, from how we run our businesses from day to day, to long-term strategic planning. Climate-related issues, such as emissions, are now part of every monthly Board report and ESG is a scheduled Board agenda item every six months. It is also a standing agenda item for every meeting of the Group's Executive Committee and forms part of the monthly reporting cycle of each of our business units.

Across the Group we continue to actively seek ways to reduce our impact on the environment and build resilience to climate change by focusing on energy, waste and water, and understanding the impact of global climate change on our operations. These four focus areas have been identified based on an overall evaluation of environmental impacts and risks, with a focus on impacts that we can influence and have consequently influenced financial planning. We are setting Group milestones, focusing on energy usage to drive further improvements in this area. Our strategy is to reduce our global GHG emissions through improving energy efficiency to reduce consumption and by purchasing electricity from renewable sources.

Many of our Chemring businesses have environmental management systems and have undertaken local initiatives and programmes to reduce environmental impacts. To improve energy efficiency for example, improvements have been made to operations through the installation of new energy efficient buildings to replace old buildings, upgrading heating, ventilation and air conditioning ("HVAC") systems and improving lighting. In 2022 we improved the steam heat distribution system at our Scotland facility by replacing valves, installing new steam traps and improving insulation. This has contributed to significant reductions in natural gas usage and greenhouse gas emissions. In addition, we replaced ageing HVAC systems at our Pennsylvania facility, reducing electricity use and associated scope 2 emissions. We have also increased our use of biodiesel fuels.

In 2021 we committed to becoming carbon neutral for market-based scope 1 and 2 emissions by 2030 and working to be a net zero organisation by 2050. Against those longer-term targets we set the near-term target of reducing scope 1 and 2 GHG emissions year-on-year, with this being linked into remuneration and rewards across all our senior teams. In 2022 we have made good progress, reducing our overall emissions by 7.3%.

As our disclosure has increased, so has the need to ensure that the data that we report to the market is accurate. We have now put in place an auditable framework for our emissions reduction activities, with external subject matter experts appointed to verify the data and to report to the Group's Audit Committee.

A key focus for both the Board and the Group's Sustainability Committee has been to ensure that we not only actively manage our sustainability agenda in order to meet the near and longer-term targets that were set in FY21, but that we continually look for ways in which we can improve further.

OUR PURPOSE IN ACTION

STORAGE FACILITY UPGRADE AT CHEMRING NOBEL

Chemring Nobel (CHN) is further improving its sustainability credentials by investing in a new storage tank facility. The new facility will meet future government directives and environmental, health and security compliance. The tank facility will increase the storage capacity of essential raw materials helping CHN guarantee supply to customers, and better protect the surrounding environment from leaks or emissions.

CHN produces and delivers specialist chemicals to customers for use in a range of performance and manufacturing applications. During the production of RDX and HMX, acetic acid is made and recovered. This is an important part of the process, as the acetic acid is sold to customers, as well as being used as an ingredient in the production of other chemicals.

The team recovers the acetic acid through several steps of evaporation and distillation, resulting in pure acetic acid at the end of the process. The acid recovery area at the CHN facility originally had 19 storage tanks, in which the acid was kept ready for sale or use. These storage tanks needed an upgrade and expansion.

The old storage tank area was built in 1968 and expanded in 1985. In January 2021, the CHN team started a two-year project to establish a new storage tank capacity.

This £6m investment will increase the amount of acetic acid that can be stored and bring the tanks in line with new compliance directives. It will also help to avoid production downtime during the life of the project and allow the team to consider and implement new technology and further improvements to the recovery and storage area.

CHN buys in the chemical compound acetic acid anhydride, which is then converted into acetic acid in the production of RDX/HMX. This project will double the storage capacity of both the incoming acetic acid anhydride and the outgoing acetic acid. This will secure production, especially during the winter when shipment to and from Europe can be challenging.

The project, which is due for completion in 2023, also has the following benefits:

- More automated operations (health and safety benefits).
- A new system for fire detection and firefighting via a foam system (health and safety and risk prevention/management benefits).
- A system to purify emissions to air (environmental benefits).
- Safe operations for loading and unloading trucks (health and safety benefits).
- New retaining walls or "bunding" around the storage facility to better protect the surrounding environment (environmental and health and safety benefits).

FY22 sees the Group report for the first time under the Task Force on Climate-related Financial Disclosures ("TCFD"), the details of which can be found on pages 14 to 18 of this report. In addition, the Group progressed its commitment to further improve its non-mandatory disclosure by completing its first CDP submission (formerly the Carbon Disclosure Project) at the end of July 2022. By translating the TCFD recommendations and pillars into actual disclosure questions and a standardised annual format, CDP provides investors and disclosers with a unique platform where the TCFD Framework can be brought into real-world practice in a comparable and consistent way.

In addition to our environmental activity, this year has seen us progress our activities around DE&I and employee wellbeing.

Chemring is committed to ensuring that we are able to attract and develop an appropriately diverse workforce. Our programme of education for all senior leaders continued in the first half of FY22 and was complemented by a suite of DE&I training modules which form part of all development programmes from Early Careers to Senior Leadership Team development. With a specific focus on gender diversity, the global Women at Chemring Committee has been established to encourage local women's networks in each business unit, alongside delivering a global day for Women at Chemring in the second half of the year.

The Board has played an active role in supporting our DE&I activity with Board members taking part in various employee round-table discussions and networking events. Laurie Bowen, as the non-executive director with responsibility for employee engagement on behalf of the Board and as Chair of the Remuneration Committee, met with groups of colleagues from different business areas and at different levels in the organisation. Laurie was able to hear directly from these groups their views on working at Chemring, as well as being able to share with them the work of the Board. These groups included colleagues at all levels from operators to the senior leadership teams at Chemring Energetic Devices, as well as at Chemring Countermeasures USA's facility in Tennessee. The groups Laurie met were overwhelmingly positive about their experiences of working at Chemring and pointed to many examples of support from the Group. Laurie also gathered input as to how we can continue to develop, and colleagues provided clear and constructive input on areas such as enhancing cross-business collaboration which are being acted on.

Our ESG 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 remain fully committed to building a sustainable company of which all our stakeholders can be proud, both now and in the future.

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.	7, 12, 13	- 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	- 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 9 to 11**
SOCIAL The safety, wellbeing and development of our people is at the heart of our business.	3, 5, 8	- 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	- We will set a total 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 8** **Our people on pages 19 to 27**
GOVERNANCE Conducting business in an ethical and responsible manner at all times.	5, 16	- 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	- Chemring will target 40% female representation 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 29 to 28**

Goal	Aim	Goal	Aim
3	Ensure healthy lives and promote wellbeing for all at all ages	10	Reduce inequality within and among countries
5	Achieve gender equality and empower all women and girls	12	Ensure sustainable consumption and production patterns
7	Ensure access to affordable, reliable, sustainable and modern energy for all	13	Take urgent action to combat climate change and its impacts
8	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	16	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

HEALTH AND SAFETY

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 ("HSE") 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 our 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 limits 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 implementation, management and ongoing compliance of health and safety within their business, and for providing adequate resources to satisfy the Board's requirements. All managing directors have health, safety and environmental related objectives incorporated within their annual incentive plan.

Managers and supervisors in the Group's businesses are required to ensure compliance with 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 all 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 collaboration at all levels resulting in the sharing of best practice and lessons learnt from incidents across the Group's businesses and the wider industry. Accidents, incidents and near misses are investigated, with actions generated to prevent recurrence.

> "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."

ACHIEVEMENTS

2022 has continued to be a challenging year as we maintained a safe CV-19 environment despite the pandemic. As a result of the restrictions associated with CV-19, the Management of Change Process was used effectively to ensure safe and continued operations aligned with in-country requirements. Whilst this created a need for continued focus, we have been able to progress our HSE strategy – Journey to Zero Harm, further consolidating the processes implemented last year:

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

Actions taken in delivering the HSE plan included:

- continued roll-out of the asset integrity management system;
- design and implementation of the electrostatic discharge protocols; and
- deployment of the Spot it, Stop it, Share it campaign.

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 fourth iteration of that review process, with an increase in the number of hazard scenarios being identified as the rigour of process hazard analysis matured. As a result of this maturing process, we continue to develop an understanding of our residual risks and throughout the year have taken further steps to reduce these to a level as low as is reasonably practicable. To help reduce our residual risks the implementation of a common computerised maintenance management system has begun across selected businesses, improving management and accountability for safety critical assets.

CONTROL OF MAJOR ACCIDENT HAZARDS continued

Towards the end of last year, we established the Technical Safety Committee with the purpose of sharing best practices and advice on the development of new standards and guidance. This year the Committee has become more established, providing the focal point for the delivery of the electrostatic discharge protocols and oversight regarding the asset integrity management system deployment.

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 consolidated 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. This data has established trends regarding musculoskeletal disorders due to the manual handling nature of some of our processes, together with cuts to fingers and hands. The relevant businesses have developed plans to reduce the risk of injuries and it is hoped that this will be reflected in future reporting.

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 supported by the 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. The changes made last year to our Operational Assurance Statement process has helped the businesses focus on compliance with the HSE Framework which in turn provides useful insights when planning the Line of Defence 2 ("LOD2") audits.

OUR HSE PERFORMANCE

We measure our HSE performance to reflect both occupational and process safety. In doing so we have several data points, one of which is an external review of our prevailing safety culture. This year we invited back a team of experts to review our progress since their previous reviews back in 2018 and 2019. The review has highlighted good progress as we journey towards becoming a high reliability organisation. In particular the review confirmed our businesses as approaching a Group-wide calculative status, with robust processes and systems generating data and signals around our high-hazard operations. The level of collaboration has also increased, with many businesses sharing best practice on a regular basis to help accelerate our performance, all of which is supported by a positive tone from the top and underpinned by risk-informed, visible and proactive safety leadership.

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 2,828 occupational safety near miss and hazard reports, compared to 2,602 in 2021, We had a total of 13 high-potential ("HIPO") incidents compared to 9 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

In addition to our reactive metrics we also measure process safety near miss events, with a total of 880 recorded in 2022 compared to 625 in the previous year. Near miss reporting is crucial if we are to understand and prevent incidents which is why we encourage all our employees to stop, warn and inform so we can manage any emerging risks. The increase in near miss reporting represents good progress as an organisation willing to learn and improve on a continuous basis. During 2021 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 limit of below 2 PSE at level 2 and 3 per 100 production employees, and this year we achieved 1.86.

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 continue to focus on:

- asset integrity and process safety – relating to the control of major accident hazards and PSE events including a review of all electrostatic discharge 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.

ENVIRONMENT

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

In 2021 we committed to reduce our total direct and indirect greenhouse gas ("GHG") emissions year-on-year and to be carbon neutral by 2030. In this report we include information on our climate-related risks and opportunities in alignment with the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"). We have made good progress on our goals, with a 7.3% reduction in scope 1 and market-based scope 2 emissions from our 2021 baseline. We also have identified a path to become carbon neutral by 2030. In 2022 we published our first CDP report and we have begun to collect and report selected scope 3 carbon emission data. This work is overseen by our Sustainability Committee with regular progress reports to the Board.

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 under our operational control.

Our GHG emissions calculations are undertaken in accordance with the GHG Protocol Corporate Accounting and Reporting Standard. We are reporting 2021 and 2022 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 CO_2, 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.

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 2022 we began using a new data collection and dashboard reporting 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.

In 2022 we installed new HVAC systems at our Pennsylvania facility and reduced natural gas usage at our Scotland site.

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. We have begun to review the physical and transition risks of global climate change on our operations and supply chain.

ENERGY USE AND ASSOCIATED GHG EMISSIONS

Our Countermeasures & Energetics businesses in Norway and Scotland are responsible for 38.8% and 24.4%, respectively, of Group energy usage. This is followed by our business in Tennessee, which accounted for 18.9% of annual energy consumption. In 2022 we developed our updated carbon reduction plans in all of our businesses. Our UK operations account for 74.5% of our scope 1 emissions, 16.4% of our scope 2 emissions and 33.6% of our energy use.

In 2022 we have achieved a 7.3% reduction in market-based scope 1 and scope 2 carbon emissions, from 20,684 tCO_2e in 2021 to 19,175 tCO_2e in 2022. Location-based emissions increased by 1.4% during the year. When normalised for gross revenue, market-based scope 1 and 2 emissions reduced 17.7%, from 52.6 to 43.3 tCO_2e per £m of revenue.

We made significant improvements in our market-based carbon emissions. Reductions have been achieved across the businesses through initiatives such as the use of biofuels at our Roke and Salisbury sites; improved efficiency and maintenance of our steam systems in Scotland; and the use of renewable energy in Australia. We also acquired and retired Renewable Energy Certificates ("RECs") for some of our US electricity consumption.

	2022			2021		
	UK	US, Norway, Australia	Group total	UK	US, Norway, Australia	Group total
Scope 1 emissions						
Combustion of fuel in any premises, machinery or equipment operated, owned or controlled by the Group						
CO_2e (tonnes)						
Gas	**4,901**	**460**	**5,361**	5,303	504	5,807
Heating oil	**1,000**	**388**	**1,388**	1,475	96	1,571
Bio fuels	**1**	**—**	**1**	—	—	—
LPG	**39**	**239**	**278**	29	249	278
Fuels consumed by Group-owned and leased vehicles, excluding business travel and employee commuting						
CO_2e (tonnes)						
Diesel	**95**	**78**	**173**	93	97	190
Petroleum	**—**	**216**	**216**	—	77	77
LPG	**—**	**25**	**25**	—	19	19
The operation or control of any manufacturing process by the Group						
CO_2e (tonnes)						
On-site waste incineration	**26**	**160**	**186**	21	147	168
Refrigerants discharged	**25**	**518**	**543**	73	488	561
Total scope 1 emissions CO_2e (tonnes)	**6,087**	**2,084**	**8,171**	6,994	1,677	8,671
Scope 2 emissions						
Total emissions CO_2e (tonnes)						
Electricity – location-based	**2,426**	**12,372**	**14,798**	3,086	10,889	13,975
Electricity – market-based	**—**	**11,004**	**11,004**	—	12,013	12,013
Total scope 1 and 2 emissions						
Location-based CO_2e (tonnes)	**8,513**	**14,456**	**22,969**	10,080	12,566	22,646
Market-based CO_2e (tonnes)	**6,087**	**13,088**	**19,175**	6,994	13,690	20,684
Total energy consumption (Mwh)	**44,361**	**87,478**	**131,839**	48,373	81,689	130,062

We engaged ERM CVS to provide independent assurance of our 2021 and 2022 total scope 1 and total scope 2 location-based emissions figures as well as total scope 2 market-based emissions figures. Their Independent Assurance Statement can be found on page 12. The basis of reporting document can be found on the Group's website at www.chemring.com/basisofreporting

	2022	2021
Total scope 1 and scope 2 emissions CO_2e (tonnes) – location-based	**22,969**	22,646
Total scope 1 and scope 2 emissions CO_2e (tonnes) – market-based	**19,175**	20,684
Group revenue (£m)	**442.8**	393.3
Total CO_2e (tonnes) per £m of revenue (location-based)	**51.8**	57.6
Total CO_2e (tonnes) per £m of revenue (market-based)	**43.3**	52.6

SCOPE 3 CARBON DATA COLLECTION

This year we have commenced the collection of a subset of Scope 3 emissions in categories 1,5 and 6:

- Category 1 Purchased goods and services; we currently collect data for water supply only (Global)
- Category 5 Waste disposal; we collect emission data based on destination (Global)
- Category 6 Business Travel; We currently collect data on Air travel (UK only)

Category	Tonnes CO_2e UK	Tonnes Co_2e US, Norway, Australia	Tonnes CO_2e Group total
1 Water supply	25	30	55
5 Waste	24	366	390
6 Business travel	349	N/A	349

We are reviewing the following categories and expect to start data collection during FY23:

Category	Coverage
4 Transportation of good	UK Only
7 Employee commuting	UK Only
9 Downstream transport and distribution	UK Only

WATER CONSUMPTION

In 2022 we used a total of 943,769 m^3 of freshwater. There was a considerable drop in usage from 2021 (1,220,000 m^3) due to reduced water usage in Scotland. 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.

	2022			2021		
	UK	**US, Norway, Australia**	**Group total**	UK	US, Norway, Australia	Group total
Freshwater (m^3)						
Freshwater use	**437,274**	**506,495**	**943,769**	668,000	552,000	1,220,000

WASTE GENERATION

In 2022 we introduced a new reporting system for waste which allow tracking of waste destinations.

Our hazardous waste reporting increased from 2021 due to inclusion of a recycled waste that was not included in previous reports. This accounts for the significant rise in recycled hazardous waste reported (1,361 tonnes from 33 tonnes). In 2022 our total hazardous and non-hazardous waste was 1,914 and 2,103 tonnes respectively. Of this, 71% of hazardous and 57% of non-hazardous waste was recycled.

	2022			2021		
	UK	**US, Norway, Australia**	**Group total**	UK	US, Norway, Australia	Group total
Waste (tonnes)						
Recycled, non-hazardous	**129**	**1,064**	**1,193**	397	635	1,032
Recycled, hazardous	**59**	**1,302**	**1,361**	32	1	33
Not recycled, non-hazardous	**172**	**739**	**911**	164	977	1,141
Not recycled, hazardous	**36**	**517**	**553**	88	242	330
Total waste (tonnes)	**396**	**3,622**	**4,018**	681	1,855	2,536

At our Countermeasures & Energetics businesses we generate unique waste which is often best managed by destroying it at on-site treatment facilities. In 2022, we continued 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 2022 we also incurred costs in connection with environmental remediation on the sites of the munitions businesses formerly owned by the Group in Belgium and Italy in accordance with the terms of sale of those businesses. The Group carries a £3.9m (2021: £3.0m) provision in respect of environmental liabilities, which the Board considers to be adequate (see note 22).

INDEPENDENT ASSURANCE STATEMENT TO CHEMRING GROUP PLC

ERM Certification and Verification Services Limited ('ERM CVS') was engaged by Chemring Group PLC ('Chemring') to provide limited assurance in relation to the selected indicators set out below and presented in Chemring's Sustainability Report 2022 (the 'Report') for the years ended 31 October 2021 and 31 October 2022.

ENGAGEMENT SUMMARY	
SCOPE OF OUR ASSURANCE ENGAGEMENT	Whether the 2021 and 2022 data for the following selected indicators are fairly presented in the Report, in all material respects, in accordance with the reporting criteria: - Total Scope 1 direct GHG emissions [tonnes CO_2e] - Total Scope 2 indirect GHG emissions (location-based method) [tonnes CO_2e] - Total Scope 2 indirect GHG emissions (market-based method) [tonnes CO_2e]
REPORTING PERIOD	- 2021: 1 November 2020 – 31 October 2021 - 2022: 1 November 2021 – 31 October 2022
REPORTING CRITERIA	- WBCSD/WRI GHG Protocol Corporate Accounting and Reporting Standard (2004, as updated January 2015) and GHG Protocol Scope 2 Guidance - Chemring's Basis of Reporting (available at: www.chemring.com/basisofreporting)
ASSURANCE STANDARD	ERM CVS' assurance methodology, in accordance with the International Standard on Assurance Engagements ISAE 3000 (Revised) 'Assurance Engagements other than Audits and Reviews of Historical Financial Information'
ASSURANCE LEVEL	Limited Assurance
RESPECTIVE RESPONSIBILITIES	Chemring is responsible for preparing the Report and for the collection and presentation of the information within it. ERM CVS' responsibility is to provide a conclusion on the agreed scope based on the assurance activities performed and exercising our professional judgement.

OUR CONCLUSION

Based on our activities, as described below, nothing has come to our attention to indicate that the 2021 and 2022 data in the performance tables on page 10 are not fairly presented in the Report, in all material respects, with the reporting criteria.

OUR ASSURANCE ACTIVITIES

A multi-disciplinary team of sustainability and assurance specialists performed a range of assurance procedures which varied across the disclosures covered by our assurance engagement, as follows:

- Interviews with relevant staff at Chemring to understand and evaluate the data management systems and processes (including systems and internal review processes) used for collecting and reporting the selected data;
- In-person visits at sites Kilgore Flares in Toone (US) and Chemring Energetics in Ardeer (UK) to review local reporting processes and consistency of reported annual data with selected underlying source data for each indicator;
- An analytical review of the data from all sites and an assessment of the completeness and accuracy of the corporate data consolidation;
- Substantive testing (on a sample basis) of supporting documentation related to the internal controls and consolidation of the performance data;
- An evaluation of the conversion factors and assumptions used; and
- Review of the presentation of information relevant to the scope of our work in the Report to assess consistency with our findings.

THE LIMITATIONS OF OUR ENGAGEMENT

The reliability of the assured information is subject to inherent uncertainties, given the available methods for determining, calculating, or estimating the underlying information. It is important to understand our assurance conclusion in this context.

Due to confidentiality constraints ERM CVS was unable to assess the accuracy of carbon emission factors for some on-site waste incineration materials (Scope 1). While emissions from Burn Ground materials are immaterial to group totals, we draw attention to the possibility that if we had assessed the accuracy of the carbon emission factors for all Burn Ground materials, we may have identified errors in the assured information.

OUR INDEPENDENCE

ERM CVS is a member of the ERM Group. The work that ERM CVS conducts for clients is solely related to independent assurance activities and auditor training. Our processes are designed and implemented to ensure that the work we undertake with clients is free from bias and conflict of interest. ERM CVS and the staff that have undertaken work on this assurance exercise provide no consultancy related services to Chemring Group PLC in any respect.

Gareth Manning
Partner, Corporate Assurance, London
ERM Certification and Verification Services Limited
13 December 2022

OUR PURPOSE IN ACTION

ARDEER STEAM DISTRIBUTION LINE IMPROVEMENTS

Natural gas consumption accounts for approximately 79% of carbon emissions from the Chemring Energetics UK ("CEUK") facility in Ardeer. This gas is only used for steam generation, which is utilised in heating and drying operations across the site. However, surveys of the steam distribution pipework identified there could be significant losses from leaks and failing valves.

In January 2022, the maintenance team carried out various repair works on the steam distribution line, including replacing sections of pipework and valve and replacing the steam trap.

Through EcoOnline, the environmental, health and safety software platform, carbon emissions were monitored and compared to the previous year's performance. Initial indications from February to April show a year to date total site reduction in carbon emissions of 10% compared to FY2021.

OUR PURPOSE IN ACTION

LIVING WELL-BEING IN THE WORKPLACE

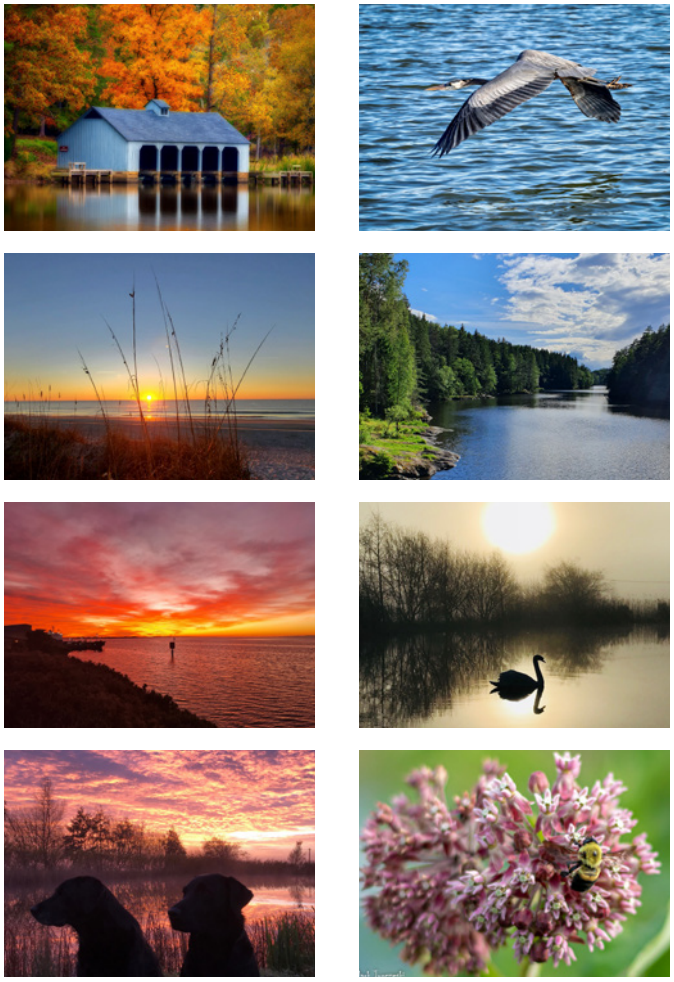
At Chemring, engaged, motivated, empowered, and skilled colleagues are integral to our success, and that's why we focus on the health and wellbeing of our people. Only when people feel at their best can they give their very best at work.

As such, Chemring established a Healthy Workplace Committee with representatives from across our organisation. The committee's purpose is to provide the opportunity for colleagues to work collaboratively to promote occupational health and wellbeing.

The Committee supports local and organisation-wide health and wellbeing objectives, raises awareness of specific wellbeing issues,shares best practices and ideas to create a healthier workplace culture of wellness, and benchmarks Chemring against similar organisations.

The Healthy Workplace Committee worked on a number of healthy workplace initiatives to keep the focus and health and wellbeing alive throughout the year. Examples of initiatives included May Measurement Month to raise awareness of the importance of knowing your blood pressure and what the numbers mean. In June, Wellbeing Week continued the theme of blood pressure with guidance, information, and ideas on ways to maintain healthy blood pressure. The focus here was on all aspects of well-being, from diet and fitness to mental health, relaxation, and simply doing things that make you happy.

Over the summer, we invited colleagues to share photographs they've taken themselves of the things in life that bring positivity, happiness, and joy for the Chemring Photography Challenge.



Chemring photography challenge entries

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES ("TCFD") REPORT

The Task Force on Climate-related Financial Disclosures ("TCFD") establishes a number of recommendations for disclosing clear, comparable and consistent information about the risks and opportunities presented by climate change.

The Board notes the recommendations in relation to the mandatory disclosures of climate-related financial risk arising from Listing Rule 9.8.6(8) and has concluded that the business strategy remains resilient given the mitigations already implemented and planned.

We consider our disclosure to be consistent with all the TCFD Recommendations and Recommended Disclosures including section C of the TCFD Annex entitled "Guidance for all Sectors" excluding full completeness of scope 3 emissions for which we continue to embed the relevant capabilities across the organisation to track and disclose this data. In 2023, we will focus on developing our reporting to enable future disclosure.

Our statement to meet these requirements, providing information on the governance of climate-related issues, integration with overall risk management, strategy in managing climate-related issues and opportunities, and the metrics to measure progress towards our targets, is set out in the following pages.

GOVERNANCE

BOARD OVERSIGHT OF CLIMATE-RELATED RISKS AND OPPORTUNITIES	The Board is responsible for overseeing climate-related risks and opportunities in delivering the Group's strategy and running the Group's operations. The Group Chief Executive is the Board director responsible for sustainability across the Group which includes climate-related risks and opportunities. The Board reviews the Group Risk Register as a scheduled agenda item every six months in which both physical and transitional climate-related-risks alongside opportunities are considered. The Board is informed of progress against the Group's carbon reduction targets implemented in 2021. Associated action plans, capital expenditure and budgeting related to targets are overseen and reviewed by the Board.
MANAGEMENT'S ROLE IN ASSESSING AND MANAGING CLIMATE-RELATED RISKS AND OPPORTUNITIES	To facilitate and ensure a centralised approach to sustainability across all our businesses, the Group Sustainability Committee (consisting of members of the Group's Executive Committee) was formed during 2021. The Committee is chaired by the Group Chief Executive and has oversight of all the Group's ESG-related activity including that of assessing and managing climate-related risks and opportunities. The Group Chief Executive, informed by the Sustainability Committee, is responsible for ensuring that the Board is updated quarterly on all key matters including the impact of climate-related issues. Members of the Committee are informed through their respective departments on matters relevant to climate-related issues. Executive directors and members of the senior leadership team within the Group are incentivised to achieve the Group's carbon reduction targets through their annual bonus and long-term incentive plan (Performance Share Plan ("PSP")) as detailed on pages 96 to 119 of our Annual Report and Accounts 2022.

STRATEGY

CLIMATE-RELATED RISKS AND OPPORTUNITIES IDENTIFIED OVER THE SHORT, MEDIUM AND LONG TERM

THE IMPACT OF CLIMATE-RELATED RISKS AND OPPORTUNITIES ON CHEMRING'S BUSINESSES, STRATEGY AND FINANCIAL PLANNING	The risks and opportunities associated with climate are reflected in our strategy and plans, and we strive for continuous improvement to reflect our purpose, our growth strategy, the external landscape and the expectations of our stakeholders. Climate risks and opportunities covering both physical and transitional aspects of climate change, were considered during the year. Associated time horizons associated were viewed as short-term (0 to 2 years), medium-term (2 to 5 years), or long-term (5 to 30 years). The basis for the time horizons was to align with our internal strategic and financial planning processes. Short-term being the immediate budget period, medium-term covering the remaining detailed financial planning period and long-term being outside of these periods. From this, the key risks and opportunities that could have a material financial impact on the organisation have been identified. Where material, the Group is committed to managing regulatory, reputational and market risk related to climate change. Details of the principal risks and uncertainties which could have a material impact on the Group's business model, strategy, future performance or reputation, of which climate change has been identified as a risk, are covered in the risk management section on pages 64 to 73 of our Annual Report and Accounts 2022. Climate-related risks and opportunities are outlined in more detail on pages 17 to 18.
THE RESILIENCE OF CHEMRING'S STRATEGY, TAKING INTO CONSIDERATION DIFFERENT CLIMATE-RELATED SCENARIOS, INCLUDING A 2°C OR LOWER SCENARIO	In 2021/22 the Group began to develop its climate-related scenario analysis to improve understanding of the behaviour of certain risks given different climate outcomes. We have utilised three public climate-related scenarios which we deem to be reliable and related to our business operations to aid our understanding of the business resilience to climate change. We will revisit these scenario analyses to ensure these remain appropriate. The scenarios are as follows: - Sustainable Development (SDS)[1] outlining a global low carbon transition which limits the global temperatures rise to 1.65 °C by 2100, with 50% probability; - Stated Policies (STEPS)[1] outlining a combination of physical and transitions risk impacts as temperatures rise by 2.6°C by 2100, with 50% probability; and - RCP 8.5[2] an extreme physical risk scenario, where global temperatures rise between 4.1-4.8°C by 2100. Scenarios have been supplemented with additional sources that are specific to each risk to inform assumptions included in projections. The Group continues to refine its approach to quantitative aspects of this modelling and will report further information as this develops. Assumptions have been made as part of this scenario analysis: - Chemring will have the same business activities that are in place today. That means impacts should be considered in the context of the current financial performance, prices and operational locations. - Impacts are assumed to occur without the company responding with any mitigation actions, which would reduce the impact of risks. - The analysis considered each risk and scenario in isolation, when in practice they may occur in parallel as part of wider set of potential global impacts. - Carbon pricing was informed by the Global Energy Outlook 2021 report from the International Energy Agency ("IEA"). **Results of the scenario analysis are outlined on pages 17 to 18.**

1. IEA (2021), World Energy Model, IEA, Paris https://www.iea.org/reports/world-energy-model.
2. IPCC, 2014: Climate Change 2014: Synthesis Report. Contribution of Working Groups I, II and III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change.

RISK MANAGEMENT

ALL BUSINESS UNITS ARE REQUIRED TO ASSESS RISK IN RELATION TO THE DELIVERY OF THEIR STRATEGY AND OBJECTIVES, WITH CLIMATE-RELATED RISKS FORMING PART OF THIS CONSIDERATION

CHEMRING'S PROCESSES FOR IDENTIFYING AND ASSESSING CLIMATE-RELATED RISKS	Current and emerging climate-related risks and opportunities are considered, whether they arise within the Group's operations or within the value chain, including existing and emerging regulations. In 2021/22, climate risks and opportunities relevant to the Group were identified and reviewed with the aid of external consultants, and refined through consultation with key Chemring personnel, including members of the Sustainability Committee, Risk Management Committee and the Board. Risks and opportunities were assessed in line with the Group's methodology to assess principal risks. A probability and impact matrix defines the likelihood of the risk, assessed based on historical evidence or experience that such consequences have materialised (Very Unlikely, Unlikely, Neutral, Likely, Very Likely). The magnitude of impact is also classified (Low, Low-Medium, Medium, Medium-High, High) and, where possible, a single figure estimate for the financial impact was calculated.
CHEMRING'S PROCESSES FOR MANAGING CLIMATE-RELATED RISKS	Once each climate-related risk and opportunity was identified, the Group sought to quantify the financial impact, appropriate strategic response, and the cost of implementing the mitigations. This process includes considering the long-term impacts arising from the risks identified on our products and services. This in turn helped to determine the materiality, allowing the Group to prioritise resources to manage its most significant climate-related impacts, determine the best management response or highlight areas requiring further investigation. All of the Group's climate change risks and opportunities are covered by existing or planned mitigation and adaptation strategies.
PROCESSES FOR IDENTIFYING, ASSESSING, AND MANAGING CLIMATE-RELATED RISKS INTEGRATED INTO CHEMRING'S OVERALL RISK MANAGEMENT	Climate is considered as a Group principal risk alongside the risks identified in the wider risk management process. This ensures climate-related risks are integrated into the Group's overall enterprise risk management framework. The management of each business is responsible for the identification, management and reporting of local risks, in accordance with the Group's risk management framework. The Risk Management Committee meets quarterly and, utilising the input from the business risk registers and the US risk register, identifies those principal risks which are material to the Group as a whole. The completed climate-related risk and opportunity register was reviewed by the Board during the financial year.

METRICS AND TARGETS

METRICS USED TO ASSESS CLIMATE-RELATED RISKS AND OPPORTUNITIES IN-LINE WITH CHEMRING'S STRATEGY AND RISK MANAGEMENT PROCESS WITH CLIMATE-RELATED RISKS FORMING PART OF THIS CONSIDERATION

SCOPE 1, 2 AND, IF APPROPRIATE, 3 GHG EMISSIONS AND THE RELATED RISKS	Chemring monitors scope 1 and 2 emissions with aspects of scope 3 disclosed on page 10. The Group also discloses other environmental metrics such as freshwater use and waste generated, as reported on page 11. For the current year disclosure of scope 3 emissions, please refer to page 10 of this report.
CHEMRING'S TARGETS FOR MANAGING CLIMATE-RELATED RISKS AND OPPORTUNITIES AND PERFORMANCE AGAINST TARGETS	A crucial first step in Chemring's approach to addressing climate-related risks and opportunities in FY21, Chemring set appropriate near and longer-term sustainability goals, with targets against which our progress could be measured. These included but were not limited to reducing our direct (scope 1) and indirect (scope 2) emissions year-on-year, to be carbon neutral by 2030 (scope 1 and 2) and to be net zero by 2050. **Emissions targets for the Group are outlined on page 9.**

CLIMATE-RELATED RISKS

Risk	Wildfires	Severe weather events	Technology
Type	Physical	Physical	Transition
Area	Own operations	Own operations	Own operations/downstream
Primary potential financial impact	Lost revenue	Lost revenue	Higher expenditure
Time horizon	Short-term	Short-term	Medium/Long-term
Likelihood	Likely	Likely	Unlikely
Magnitude of impact	Low	Low-Medium	Low

IMPACT ON THE BUSINESS AND STRATEGY

WILDFIRES

Climate change poses an increased risk to the likelihood and severity of grass fires, which have the potential to disrupt production and product delivery due to physical damage to surrounding infrastructure and Chemring facilities, as well as creating additional costs of remediation. Wild grass fires that occurred in 2019 on one of the business sites in Victoria, Australia, which, although did not impact operations, highlighted this threat.

Current mitigations have already been deployed in the form of cutting back grassland close to operations and ensuring local mitigations in place for activities such as planned burns.

Using analysis conducted for the risk assessment of wildfires in Australia (the area in which the likelihood for the risk is highest), differences in scenarios were analysed to understand the change in land annually exposed to wildfires in Victoria. Looking at the worst-case climate change scenario (RCP 8.5), the median shifts by ~0.1% to the SDS scenario. The minimal impacts from this risk are highlighted within the Australia region in the physical risks table (Table 1).

SEVERE WEATHER EVENTS

Extreme weather events resulting from cyclones and storms are exacerbated by climate change, having the potential to impact the Group's operations. Physical damage to Chemring facilities and surrounding infrastructure could result in disruption to production and product delivery, and impact overall revenue. The Tennessee and Charlotte sites are located in areas with exposure to tropical storms. For example, in 2018, a severe weather event caused partial flooding at the Tennessee facility. As a consequence, drainage improvements have been made, with further mitigations planned to reduce the impact of potential flooding events in the future.

In looking at future scenarios, the physical risk of severe weather events remained localised to sites within the US, particularly Tennessee. Even in the RCP 8.5 scenario, the risk of expected damage from river flooding projected out to 2050 remains similar to scenario SDS. This is also summarised within Table 1.

TECHNOLOGY

Climate-related requirements are changing in key customer procurement contracts, which presents a risk that the Group's costs could increase in order to comply. This would influence expenditure along with other potential impacts including loss of contracts and disposal or write-off of legacy/stranded assets.

In response to this risk, Chemring maintains continual assessment of government priorities in terms of technology roadmaps and procurement requirements as necessary. Additionally, close relationships with customers are maintained to facilitate effective risk management and long-term planning.

Under the scenario (SDS), the Ministry of Defence has outlined its approach to climate change and sustainability strategy. At present we do not expect this to affect the Group given the low amount of carbon emitted in the use phase of products. Future procurement decisions may focus on the sustainability of a supplier's business operations, for which Chemring has a roadmap towards becoming a net zero organisation by 2050.

TABLE 1 – OVERALL PHYSICAL RISK IMPACTS SPLIT BY GEOGRAPHIC REGION AND SCENARIO ANALYSED (STEPS EXCLUDED DUE TO DATA LIMITATIONS)

	Site location			
Scenario	Australia	Europe	UK	North America
SDS	●	●	●	●
RCP 8.5	●	●	●	●

● Low impact
● Medium impact
● High impact

CLIMATE-RELATED OPPORTUNITIES

Opportunity	More efficient production	Sourcing low-emission energy	Supply chain resilience
Type	Resource efficiency	Energy source	Resilience
Area	Own operations	Own operations	Own operations/upstream
Primary potential financial impact	Reduced costs	Reduced costs	Reduced costs of input goods and input transportation
Time horizon	Short-term	Short to Medium-term	Short to Medium-term
Likelihood	Likely	Very likely	Very likely
Magnitude of impact	Low	Low	Low-Medium

IMPACT ON THE BUSINESS AND STRATEGY

MORE EFFICIENT PRODUCTION

Improving energy efficiency through initiatives such as upgrading building facilities, and LED lighting retrofits has the benefit of saving on direct energy costs. Plans for future initiatives are in place with planned financial savings.

This opportunity is largely unaffected by external changing policy scenarios, as future initiatives are already in place with planned financial savings.

SOURCING LOW-EMISSION ENERGY

Increased renewable energy availability and improvements to technology are leading to renewable energy becoming increasingly inexpensive. Chemring will benefit from de-linking energy costs to fossil fuel prices through the procurement of renewable energy for its sites. In addition, this will reduce the Group's exposure to GHG emissions and therefore lower sensitivity to changes in the cost of carbon.

The carbon price (US$/t$CO_2$e) is projected to increase as follows:

Scenario	2030	2040	2050
STEPS	65	75	90
SDS	120	170	200
Difference	85%	127%	122%

There is an opportunity to benefit from the avoided emissions of sourcing energy from fossil fuel based providers. Future scenarios that drive up fossil fuel prices such as the phase out of subsidies (SDS) and incentives for clean energy transitions such as those under the European Green Deal (STEPS) provide further impetus for procuring energy from more renewable sources.

SUPPLY CHAIN RESILIENCE

Chemring has identified opportunities to improve resilience in the supply chain, including from the physical impact of climate change by understanding supplier risks and developing redundancy. Some suppliers within the supply chain are sole suppliers, which requires an understanding of their potential risks and the implementation of mitigations to minimise any supply disruptions.

Under the worst case scenario RCP 8.5, physical risks of climate change may increase for some suppliers depending on their geographic location and current risk to extreme weather events. As a further supply chain investigations are developed, location-based data for sole suppliers will be available and can inform the climate-related risk scenario analysis.

INVESTING IN OUR PEOPLE

Chemring people are at the heart of our business. We invest in our people at all levels across every location and function, creating strong foundations for our future success.

OUR OVERALL PEOPLE APPROACH IS FOCUSED ON FIVE KEY AREAS:

CHEMRING CULTURE

Our people approach is underpinned by our culture. Engaged, motivated, empowered and appropriately-skilled colleagues are integral to our success as it is through them that we will progress our strategy and deliver long-term growth. Our goal continues to be 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.

The Chemring cultural framework has four pillars and these provide the structure around which all our actions are set and measured. These pillars are:

In 2022 we continued to build on the progress made since 2019. Using a well-practised blend of global direction and structure, delivered locally through individual business units, we continue to support our Chemring colleagues in their mission to do their best work every day.

Since the initial culture review, every part of the business has developed actions to support progress in each area. Progress each year builds on the work done previously, as well as putting in place new activity to support the cultural journey.

The ESG agenda is now well embedded across the business and leadership support has ensured that the work around the environment, diversity, good governance and continuous improvement has become a key part of the culture at Chemring.

During 2022 the HSE teams have worked closely with the people teams as part of the ongoing work around the safety culture at Chemring. Our overall culture and our approach to safety are closely linked and mutual support is key to continuing progress in both areas.

CHEMRING CULTURE continued

We have further embedded our approach to providing development opportunities at all key career levels – Early Careers, First Line Managers, Experienced Managers and Senior Leadership Teams – and extended this to include education, awareness and action planning around diversity and inclusion appropriate for each level. Continuing the work with the HSE team, education and awareness around key safety actions and further embedding the safety culture are being included in these programmes.

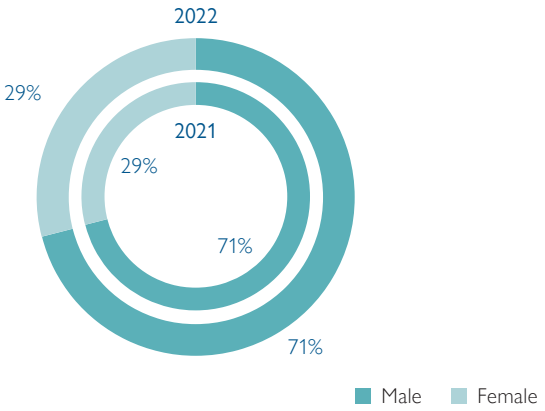
With the restrictions of the pandemic easing throughout the year in all geographies, the focus has been on bringing colleagues back together and resetting ways of working. Local employee forums have been revitalised with groups coming together to restart discussions around the experience of working at Chemring. Hybrid working principles have now been adopted as appropriate for each part of the business, providing further flexibility to complete work where it makes most sense to do so. Community and recognition events, such as charity fundraising, working with veterans' organisations and the return of social events for colleagues, have provided further opportunities for in-person interaction and this supports the development and reinforcement of the Chemring culture.

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 real-time bespoke sentiment tracking tool creates dashboards of participation and positivity based on the four cultural pillars. Business unit leaders review these regularly and share progress with colleagues at all levels through multiple channels.

Wellbeing continued to be a key theme in 2022. In line with the approach of Global Voice, Local Accent, a global committee focusing on creating and maintaining a healthy workplace, which was established in 2021, continued to meet throughout 2022. Many business units have established Wellbeing Teams locally to focus on areas of local interest and importance, and to deliver activities and support to promote wellbeing on site.

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. Our strategy is to build this focus in the early stages of our talent pipelines to ensure these topics become "business as usual" as colleagues move through the organisation.

TOTAL POPULATION



Mental health first aid training has continued across all business units in 2022, with some business units also providing specific mental health training on site throughout the year.

Support through the provision of occupational health services on demand in each location has been used extensively in 2022. Additionally, the provision of Employee Assistance Programmes, which have been in place for a number of years, has been refreshed in 2022, with additional communication and provision of support to colleagues and managers.

OUR PURPOSE IN ACTION

MAKING MENTAL HEALTH A PRIORITY

Chemring Energetics UK ("CEUK") made mental health a priority in 2022 and employed the services of a company called Headtorch. Headtorch, based in Glasgow, are a team of specialists in learning, development and psychology. They work with organisations both nationally and internationally to build a positive mental health culture and support mental health in the workplace.

Headtorch delivered a bespoke two-day event with 30 managers, covering all areas of the site, to help them feel better equipped to encourage and facilitate mental health conversations with their teams. In addition, a group of actors from Headtorch filmed different mental health scenarios in full CEUK uniform and PPE to really bring the stories to life for those involved.

The aim was to build a positive mental health culture on site so that colleagues feel able to speak openly if they have issues. We also want to remove the stigma of talking about mental health and rather than setting KPIs and targets around mental health, which are extremely hard to measure, our priority is on supporting line managers, helping staff feel able to talk openly at work and providing access to the right professional resources to help people.

The CEUK team also established a Wellbeing Forum on site. The purpose of the Wellbeing Forum is to optimise the physical, emotional, social and mental wellbeing of staff by providing a mechanism for all our colleagues to contribute to the CEUK wellbeing agenda.

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. During 2021 a full review of all in-place HR technology revealed significant differences in level of provision and importantly in the ability to derive data to understand the population. In 2022 these insights were developed and an approach agreed which will move towards a more consistent systematic approach to managing employee information. In the US, the people team have commenced work to implement a single vendor solution for end to end employee lifecycle support using an existing supplier as the start point. A similar programme will commence for the UK businesses in 2023.

The adoption of modern HR technology will support our ability to attract, recruit, on-board and then manage and develop colleagues, as well as reducing the risk around key activities such as payroll processing. The ability to report both key static metrics, as well as to interrogate process metrics such as movements through the organisation, impact of development and pay progression, will provide the opportunity to leverage further our key asset – our people.

Our investment in 2019 in the Employee Voice sentiment monitoring tool means that we are able, in real time, to create an approach of "You said, we did". The launch of the Experienced Manager Development Programme in 2022 was in response to both a recognised gap in the development approach as well as addressing comments raised through the Employee Voice tool.

Similarly, the ongoing focus on Performance Conversations supports requests from colleagues for regular feedback from their managers. Continuing improvements in internal communications – such as the programme to put TV screens across all locations to enable real-time communications to those who are not able to access email at work – are also in direct response to feedback from the Employee Voice statements.

DEVELOPING OUR PEOPLE

>90
graduates and apprentices hired in the year

120
graduates and apprentices took part in UK wide Early Careers Development Programme and Conference

>340
line managers and supervisors involved in global Leading our People programme

80
experienced managers enrolled on Aspire@Chemring, our first fully virtual management development programme

80
senior leaders took part in quarterly development sessions as individual senior leadership teams as part of the Leading our Organisation initiative, including DE&I training and safety development

LISTENING TO OUR PEOPLE

>2,300
colleagues with regular access to bespoke Employee Voice pulse survey

40%
regular response rate of participants in Employee Voice

>75%
positivity score

>5,000
individual comments

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 session encouraging anyone from across the business to ask a question, as well as regular distribution of the Chemring magazine, Chemring-i. As pandemic restrictions eased, every business unit has taken the opportunity to bring colleagues together face to face for a range of different activities and events – from development, lunch and learn sessions, fundraisers to community activity.

The Ukraine conflict provided a focus for locally driven fund raising and donation activities, all of which were well supported as well as providing opportunities for teams to work together outside of their usual activities and to reconnect.

The recruitment challenge being felt globally has also focused attention in all businesses. A wide range of colleagues have been involved in supporting activity to both ensure retention – through communication of the benefits of working at Chemring, sharing more widely information and updates on products and customer activities – and to generate new hires. Activities such as in-person careers events held in local communities, through veterans' associations and direct through the business units, have created the opportunity to remind colleagues of what a great place Chemring is to work, as well as providing much-needed colleague interaction after the past two years of limited contact.

The Employee Voice tool has generated over 40,000 responses during 2022 from our colleague base of 2,300, as well as over 4,000 individual written comments.

Throughout 2022, positivity – the extent to which a colleague feels positive about our culture and their experience of working at Chemring – has improved to 75% (up around 3 percentage points on 2021).

Following the review in 2021, the tool was refined to focus on four key areas, which align to the cultural pillars. These are:

- Customer Centricity
- Leadership
- Employee Experience
- DE&I

This change to four areas has enabled a renewed focus on where we need to create a better experience for colleagues and has reinvigorated the business units positively around the tool. Additionally the option for a local business unit to run their own sentiment campaign focused on local challenges and concerns has ensured that the tool remains relevant and useful for each business.

Despite the challenges of the pandemic, our colleagues remain positive about working at Chemring. Across 2022 49% of colleagues regularly provided feedback via the Employee Voice tool through reacting to statements or providing written feedback. 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 Chair of the Remuneration Committee and the 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 Chemring Energetic Devices, Chemring Sensors & Electronic Systems and Chemring Countermeasures USA Tennessee. The challenges of international travel early in the year meant that a strategic decision was taken to focus on the US businesses in 2022.

In 2022 we continued to ensure that all colleagues were able to share in our corporate success. Discretionary bonus schemes are now in place at all levels in our organisation for colleagues working in every business area. These schemes, which are tailored to suit local business requirements and focus, provide bonus awards quarterly, half yearly or annually tied to the performance of the individual business unit and ensure our colleagues feel that they are contributing to the overall success of their business.

Development is at the heart of the people strategy at Chemring. It is essential in ensuring we have the capabilities today and in the future to appropriately support the business. This development also underpins our retention and attraction capability with current colleagues and future candidates becoming increasingly demanding of the organisation and the investment in their future.

There were some significant additions to the development framework in 2022, meaning that Chemring now has a fully formed development framework taking colleagues from their Early Careers as graduates or apprentices and providing development at key career milestones in support of both technical and leadership capability.

Highlights of our development approach are:

- A UK-based Early Careers Development Programme which commenced in 2022 for all new graduates and apprentices who joined in autumn 2021 in the UK, providing early leadership and people skills development and the opportunity for building a cross business network. This is complemented by technical development provided within each business unit specific to the role colleagues have been brought in to learn.
- Continued development of the Leading our People programme for all line managers globally in support of developing Chemring leadership bench strength. The initial programme – Leading our People Foundation – is undertaken by all new line managers as they progress or are hired to ensure that every colleague in this role has a strong foundational understanding of what is expected of them. Launched in 2022, Leading our People Futures provides quarterly learning and networking focused on local as well as global business challenges.
- The launch of Aspire@Chemring in 2022 supports the development of managers who have moved beyond supervisor and first line management and who are identified as future talent for our key senior roles. This creative, digitally-enabled programme encompasses group learning, networking through the use of mixed learning "pods" and links to global executive business schools including Columbia and MIT to leverage a mix of learning. The focus on Leading Human Performance and Leading Organisational Performance connects development into the personal, functional and business goals.
- Leading our Organisation is run quarterly across the year to ensure our most senior colleagues are also benefiting from the opportunity to reflect on the areas of culture which they can influence and work together to develop action plans around their local priorities.

DEVELOPING AT CHEMRING

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. Alongside the above programmes for leadership development, 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.

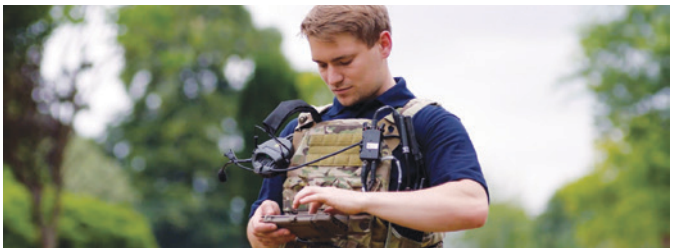
In 2022 over 30 college undergraduates joined our business units in the UK throughout the summer to experience working for Chemring as part of our summer internship programme. Summer placements are a key part of our outreach to support students pursuing STEM subjects and to encourage them to establish a career in this important area.

The Chemring Early Careers cohort continues to grow with over 80 graduates and apprentices welcomed to the UK businesses in 2022 (55 in 2021). With Early Careers colleagues now represented in most areas of the business covering both technical and functional roles, this important group of colleagues is fundamental to our future success.

Our commitment to apprentices means that we welcomed 25 apprentices in 2022. We are close to capacity for encouraging this important young talent to start their career at Chemring and so our attention is now on developing those colleagues already working with us who might benefit from formalised development beyond the Leading our People programme. Partnering with an outside organisation we will be using Apprentice Levy funding in 2023 to support colleagues in achieving ILM accredited level 3 and 5 apprenticeships as well as enabling them to benefit from creating an external network.

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. We currently sponsor 20 students and this year welcomed two sponsored students as permanent colleagues as part of the Graduate Scheme.

The market for talent remains challenging and nowhere more so than in providing the type and number of colleagues required by our Roke business. In response, in 2022 we launched the Roke Academy in partnership with Hatch, a specialist in digital skills recruitment. The Roke Academy is a centre of excellence for learning and development, with an initial focus on non-traditional areas of recruitment to embrace undiscovered talent who may not have previously had the opportunity to enter the tech field.



OUR PURPOSE IN ACTION

JOE SPIRES' GRADUATE JOURNEY

Joe Spires is a Graduate Engineer at Roke in Romsey, UK. He studied nuclear engineering at Lancaster University with support from The Institution of Engineering and Technology's ("IET") Horizons Bursary. The Bursary provides financial support of up to £4,000. Through the bursary scheme, Joe was partnered with Chemring in his second year, completing a summer internship with Chemring Countermeasures UK ("CCM UK") and leading him to his current role at Roke.

Says Joe, "The financial support I gained from the Horizons Bursary helped with quality resources such as the many expensive books needed for my course. I come from a low-income household, so this support also meant that I didn't have to work during my degree and could focus on my studies.

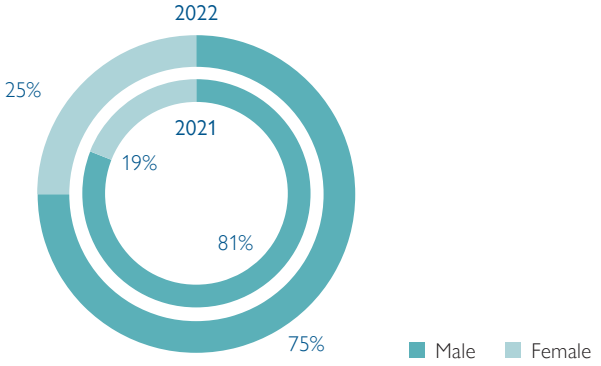
"I got the chance to work with a great team with a great culture at CCM UK, and, following a conversation with the Managing Director, I applied to the graduate scheme at Roke. Thankfully, I was offered a position at the end of my degree course and have been working on special projects with Roke since then. The mentoring and support I've received from the team have been second to none, and I'm learning so much.

"It's my hope to continue building my expertise in areas like robotics and sensors to enable me to architect solutions myself with confidence. I'm also excited about the travel opportunities that a role in a global organisation could offer in the future."

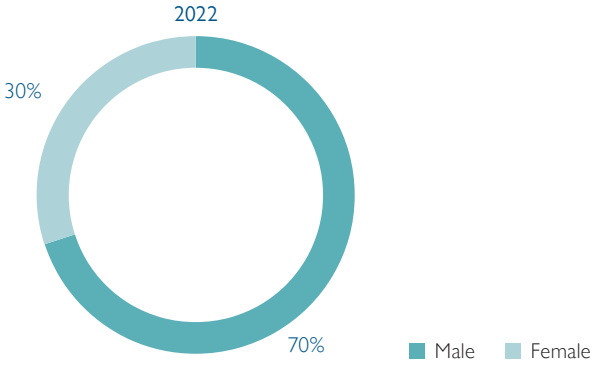
DEVELOPING AT CHEMRING continued

In 2022 and 2023 the Roke Academy will look to attract those who may have faced barriers to work for a variety of reasons; individuals who have found the traditional recruitment process a challenge, are returning to work after a break, transitioning from military service, or looking for a change of career. The Academy supports these diverse individuals who can bring unique strengths to our business in terms of creativity, data analysis and innovation to then progress in their chosen field. In 2022 we welcomed 24 new colleagues through this route and will continue to expand this programme in future years. The Roke Academy presents a wider opportunity to combine all development from Early Careers through technical training and to provide support for the most senior leaders at Roke as a true centre for development excellence. This will continue to evolve in 2023 and beyond.

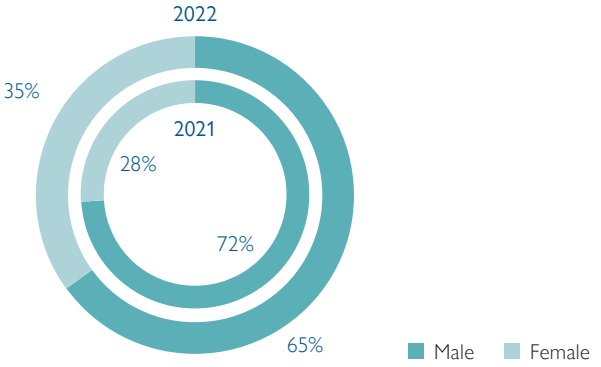
TOTAL GRADUATES AND APPRENTICES



COLLEAGUES INVOLVED IN LEADERSHIP DEVELOPMENT PROGRAMMES IN 2022



KEY ROLE TALENT PIPELINE



OUR PURPOSE IN ACTION

ASPIRE@CHEMRING – DEVELOPING OUR TALENT IN-HOUSE

Launched in May this year, Aspire@Chemring is a new talent development programme targeted at Chemring colleagues who are in middle management roles or positions of influence in their business.

The programme prepares and develops the potential future senior leaders of Chemring and ensures they have the skills, best practice approaches and strong leadership network they need to succeed.

Aspire@Chemring is delivered across the Chemring Group and currently comprises a cohort of 82 people covering all business units. With the support of external providers, the modules include a facilitated workshop followed by bridging activities between modules. For the bridging activities, cohorts are divided into small groups to practice techniques learned, sharing best practices and common challenges. And perhaps most importantly, to create networks of leadership across our functions and businesses.

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. This process has continued into 2022 with development plans in place at an organisational and individual level to support growth into key roles. For example, the Aspire@Chemring programme content was designed around the outputs commonly identified in the organisational talent reviews.

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.

DIVERSITY AND INCLUSION AT CHEMRING

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. In 2021 we introduced DE&I goals for all of our senior leaders which form part of our incentive plans.

We have an increasing number of formal and informal groups around the business which support and connect people with shared characteristics or interests. In 2022 we launched the Women's Inclusivity Network, WIN@Chemring, with a focus on supporting female colleagues globally.

These groups made up of female colleagues from every function and level have put in place actions to support both male and female colleagues and provided the opportunity for colleagues to discuss local challenges and issues affecting this key population.

Across 2022 we have worked to ensure we understand the ethnic diversity of our population. We are keen to ensure that our Chemring community is reflective of the communities we operate in and are developing approaches to more formally monitor this. We are pleased to be able to provide additional reporting on ethnic diversity at Chemring in this year's annual report.

	Asian %	Black %	Mixed race %	White %	Other* %
Senior managers	3.8	5.0	0.0	91.2	0.0
Mid-level managers	1.8	4.2	1.5	91.3	1.2
All other employees	3.7	16.3	1.2	75.8	3.0

* (Inc Hispanic, NHOPI, Native American).

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. The Executive Committee has a formal requirement to review the process for appointing all senior team members, including ensuring processes are without bias and open to all candidates regardless of characteristics.

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.

OUR PURPOSE IN ACTION

CELEBRATING DIFFERENT MINDS AS PART OF NEURODIVERSITY IN THE WORKPLACE

Here at Chemring, we define neurodiversity as the acceptance that everybody's brain works differently. These neurological differences include diagnoses like autism, ADHD (Attention Deficit Hyperactivity Disorder), dyslexia, dyspraxia, and Tourette's Syndrome.

Our Roke business has been working closely with Creased Puddle, an agency that works with organisations and individuals to enhance understanding, empower decision-makers, and identify opportunities for inclusion for neurodiversity in the workplace. The agency worked with the team at Roke to provide them with work and cognitive assessments. This included the delivery of line manager and human resource training. The aim of the training was to make complex issues easy to understand, focus on the strengths of neurodiversity and bring our courses to life with real-life examples.

Putting this into practice in the workplace has included Roke redeveloping its way of sourcing and recruiting new talent. This included thinking about how to write suitable role profiles, how candidates would like to be interviewed, whether coaches could attend interviews with candidates, the possibility of changing the length and format of assessments to help candidates and providing photographic images of unfamiliar environments.

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 providing financial support, the Group also encourages and supports employees who undertake voluntary work in the local community.

Looking to specific communities, 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.

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.

Across Chemring our colleagues support a wide range of charities, both local and national. Highlights this year include:

Support for Ukraine – Since March 2022, Chemring colleagues have pulled together across the organisation to fundraise and donate to support the humanitarian crisis in Ukraine, with Chemring matching all money raised.

ARMED FORCES COVENANT

EMPLOYER RECOGNITION SCHEME

GOLD AWARD 2022

OUR PURPOSE IN ACTION

ROKE RECEIVES DEFENCE GOLD ERS AWARD FOR COMMITMENT TO ARMED FORCES

Roke is proud to have received the prestigious Employer Recognition Scheme (ERS) Gold Award from the Ministry of Defence (MoD) for its support and continued commitment to the Armed Forces community in the South East region.

The award is the highest recognition presented to organisations that demonstrate their support to the Armed Forces and inspire others to do the same.

As a Gold Award winner, Roke has shown it actively communicates and upholds a positive stance for 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 Roke's mission and culture, which is dedicated to combining and applying emerging technologies to keep people safe whilst unlocking value. Roke signed the Armed Forces Covenant in 2017 and was delighted to receive a Bronze Award in 2018 and a Silver Award in 2021.

Roke has over 40 veterans and reservists in its Armed Forces community. They are supported through several policies and initiatives designed to support their continued service while making the transition from service personnel to employee as smooth as possible.

"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."

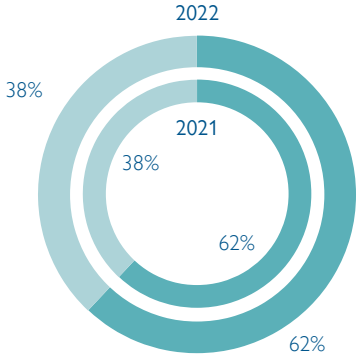
Veterans and military charities – A number of charities directly related to providing support to service veterans are supported across the Group. Activities range from fundraising to donations and providing time and resources to initiatives.

Community building projects – In the US, Chemring Energetic Devices ("CED") is supporting Habitat for Humanity, an international charity fighting global poverty and homelessness, by spending a day helping build homes as well as fundraising in support of the charity.

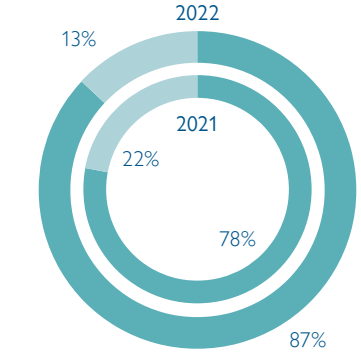
Other local support – There is much local activity supporting charities close to our sites. Chemring Australia are supporting a women's refuge through the WIN@Chemring team, and at CED colleagues support local families over the holiday season through the Adopt-a-Family scheme.

Colleagues across Chemring regularly take on individual challenges for causes special to them with donations often matched by the company. Climbing mountains, moving large objects and running marathons have all been tackled in the year.

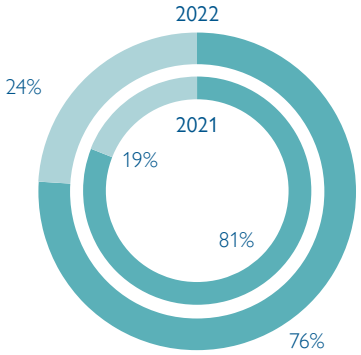
BOARD OF DIRECTORS



EXECUTIVE COMMITTEE



SENIOR MANAGERS



Male Female

ETHICS AND BUSINESS CONDUCT

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

The Board has 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:

- reports from PwC on their internal audits of the business's compliance with our anti-bribery processes and their review of the implementation of the Chemring Compliance Portal;
- metrics on the due diligence of third party sales partners, service providers and suppliers conducted through the Chemring Compliance Portal;
- reports on the independent audit of selected third party sales partners;
- training material on the Code of Conduct; and
- approvals granted under our 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

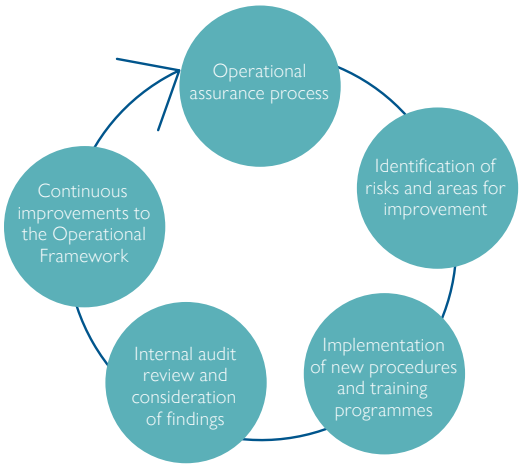
Our Operational Framework incorporates a broad range of more than 35 policies and procedures which have been adopted by all of our businesses. The Operational Framework implements a robust governance and compliance framework to enable us to operate in a safe, consistent and accountable way.

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 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 output from the operational assurance process enables us to drive continuous improvement in our governance and compliance framework, including the identification of additional training requirements for our employees. It also allows us to monitor and address the evolution of a number of the key risks we face, and provides 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.

Updated scenario-based training on the Code was provided to employees during the year.

READ MORE IN OUR SUSTAINABILITY REPORT: CHEMRING.COM/SUSTAINABILITY

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 or email or by accessing 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.

Our internal procedures on the handling of whistleblowing reports are designed 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. Training is provided 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.

The Group has also adopted a policy on sales to customers located in higher-risk territories, 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 due diligence 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, 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 periodic 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 are automated through the Chemring Compliance Portal, which enables us to adopt a consistent approach to the application of our due diligence and approval processes across the Group. Due diligence processes for the third party service providers and higher risk suppliers engaged by our non-US businesses are also managed in the Chemring Compliance Portal. The US businesses have adopted a similar automated system for their service providers and higher-risk suppliers.

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.

Selected third party sales partners are subject to an independent audit by an external consultant. These audits provide additional assurance on the suitability of our sales partners and help to further strengthen our anti-bribery and corruption processes.

Compliance with BACM procedures continued to be a core aspect of PwC's internal audit programme during the year.

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.

Produced by
designportfolio

CHEMRING GROUP PLC
Roke Manor
Old Salisbury Lane
Romsey
Hampshire SO51 0ZN
United Kingdom
Tel: +44 (0)1794 463401
Email: info@chemring.com
www.chemring.com

Chemring
Innovating to protect