The following pages contain the detailed scoring for this company based on publicly available information.

The table below shows a summary of the company’s scores per section:

<table>
<thead>
<tr>
<th>Section</th>
<th>Number of Questions</th>
<th>Score Based on Publicly Available Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Leadership and Organisational Culture</td>
<td>4</td>
<td>6/8</td>
</tr>
<tr>
<td>2. Internal Controls</td>
<td>6</td>
<td>5/12</td>
</tr>
<tr>
<td>3. Support to Employees</td>
<td>7</td>
<td>8/14</td>
</tr>
<tr>
<td>4. Conflict of Interest</td>
<td>4</td>
<td>2/8</td>
</tr>
<tr>
<td>5. Customer Engagement</td>
<td>6</td>
<td>5/12</td>
</tr>
<tr>
<td>6. Supply Chain Management</td>
<td>5</td>
<td>2/10</td>
</tr>
<tr>
<td>7. Agents, Intermediaries and Joint Ventures</td>
<td>10</td>
<td>7/20</td>
</tr>
<tr>
<td>8. Offsets</td>
<td>4</td>
<td>0/8</td>
</tr>
<tr>
<td>9. High Risk Markets</td>
<td>4</td>
<td>8/8</td>
</tr>
<tr>
<td>10. State-Owned Enterprises</td>
<td>0</td>
<td>N/A</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>43/100</td>
</tr>
<tr>
<td>BAND</td>
<td></td>
<td>D</td>
</tr>
</tbody>
</table>

*This column represents the number of questions on which the company was eligible to receive a score; i.e. where the company did not receive a score of N/A.*
# 1. Leadership and Organisational Culture

<table>
<thead>
<tr>
<th>Question</th>
<th>1.1. Does the company have a publicly stated anti-bribery and corruption commitment, which is authorised by its leadership?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Score</td>
<td>1</td>
</tr>
<tr>
<td>Comments</td>
<td>The company has a publicly stated anti-bribery and corruption commitment, which details the company's stance against any form of bribery or corruption within the organisation. This commitment is included in the company's Code of Conduct, which is in turn authorised and endorsed by the company's leadership. However, the company's leadership does not explicitly mention anti-bribery and corruption in its statement and it can therefore not receive a score of '2'.</td>
</tr>
</tbody>
</table>

## Evidence

[1] **Code of Conduct (Document)**
Accessed 14/04/2020

[p.2] **Message from the Group Chief Executive**

Our Code of Conduct, which sits alongside our Operational Framework, embraces our fundamental values of Safety, Excellence and Innovation, and sets out standards of behaviour and business conduct for all Chemring employees and third parties acting on our behalf, wherever they are located in the world.

I am committed to developing a culture within Chemring where everyone does the right thing and takes personal responsibility for their actions. The Code of Conduct provides direction on legal, ethical and risk issues you may encounter in your day-to-day activities, and offers guidance on how you should take the right actions to protect our business and the wider interests of all our stakeholders, including our colleagues, customers and shareholders. Developing a Chemring culture which embraces responsible behaviour is a key aspect of building a business which we can all be proud of.

The Code of Conduct cannot provide guidance on every situation you may encounter, and I would therefore encourage you to seek advice from your line manager or other resources within the business if you are unsure about the right course of action.

Our Chemring culture embraces transparency and openness, and you can be assured that you may seek advice and voice any concerns without fear of reprisal or retaliation.

Mick Ord
Group Chief Executive
July 2019

[p.28] **3.3 Anti-bribery and corruption**
Chemring adopts a zero-tolerance approach to bribery and corruption.

Our principles

Bribery is a criminal offence. Paying or conspiring to pay, soliciting or accepting bribes is against the law in the UK and many other countries in which we do business.

We will not under any circumstance pay a bribe to, or accept a bribe from, any individual, incorporated or unincorporated organisation, and/or public officials in order to gain or retain any business advantage or for any
other improper purpose. This applies not only to payments of cash but also the giving and receiving of other favours or benefits.

We require our employees and all third parties acting on our behalf to conduct business honestly and with integrity.

We will:
• require employees and all third parties acting on our behalf, anywhere in the world, to comply at all times with our policies and procedures which have been adopted to prevent bribery, as set out in our Bribery Act Compliance Manual; and
• speak up if we become aware of any potential or actual breach of anti-bribery laws or regulations, or our own internal bribery prevention procedures.
Question

1.2. Does the company have a comprehensive anti-bribery and corruption policy that explicitly applies to both of the following categories:
   a) All employees, including staff and leadership of subsidiaries and other controlled entities;
   b) All board members, including non-executive directors.

Score

2

Comments

There is evidence that the company publishes an explicit anti-bribery and corruption policy, which makes specific reference to the prohibition of bribery, payments to public officials, commercial bribery, and facilitation payments. This policy clearly applies to all employees and board members, regardless of their seniority, and across all subsidiaries and controlled entities.

Evidence

Accessed 14/04/2020

[p.4] Why do we have this Code of Conduct?

This Code of Conduct sets out the standards of behaviour and business conduct we expect of all Chemring employees and third parties acting on our behalf, wherever they are located in the world. We expect these standards, underpinned by the principle of doing the right thing, to be adopted by individuals whenever they are performing their day-to-day duties as employees of Chemring or where they are representing Chemring, and for all employees to take personal responsibility for ensuring that our commitment to sound and ethical business conduct is delivered.

Who does the Code of Conduct apply to?

The Code of Conduct applies to all subsidiary companies of Chemring Group PLC and their directors, officers, managers and employees. Third party partners or advisers who act on Chemring’s behalf will also be expected to comply with the Code.

[p.28] 3.3 Anti-bribery and corruption

Chemring adopts a zero-tolerance approach to bribery and corruption.

Our principles

Bribery is a criminal offence. Paying or conspiring to pay, soliciting or accepting bribes is against the law in the UK and many other countries in which we do business.

We will not under any circumstance pay a bribe to, or accept a bribe from, any individual, incorporated or unincorporated organisation, and/or public officials in order to gain or retain any business advantage or for any other improper purpose. This applies not only to payments of cash but also the giving and receiving of other favours or benefits.

We require our employees and all third parties acting on our behalf to conduct business honestly and with integrity.

We will:
• require employees and all third parties acting on our behalf, anywhere in the world, to comply at all times with our policies and procedures which have been adopted to prevent bribery, as set out in our Bribery Act Compliance Manual; and
• speak up if we become aware of any potential or actual breach of anti-bribery laws or regulations, or our own internal bribery prevention procedures.

[p.29] We will not:
• tolerate or condone bribery or any other type of corrupt activity;
• offer, promise or give, solicit, agree to receive or demand any financial or other advantage, whether directly or indirectly, in order to induce or reward improper behaviour, where such behaviour would constitute a bribe;
• offer or make facilitation payments;
• pay a bribe or participate in any other corrupt activity, anywhere in the world, regardless of local custom and practice, for the purpose of winning or retaining business, or an advantage in the conduct of business, for Chemring.

Relevant policies
• Anti-Corruption Policy
• Bribery Act Compliance Manual

Accessed 14/04/2020
[p.45] 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, gifts and hospitality, and facilitation payments. Our detailed anti-corruption procedures are incorporated within our Bribery Act Compliance Manual (“BACM”), which has been updated this year, and include 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;
> 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;
> regular mandatory training on BACM and its application to their role for management, supervisors and all employees working within commercial, business development, sales and marketing, finance, procurement, quality and human resource functions;
> the giving and receiving of reasonable, proportionate and appropriate gifts and hospitality in the normal course of business; and
> completion of a BACM Compliance Certificate by each business bi-annually, confirming that all policies and procedures within BACM have been complied with.

During the year, the Group terminated the appointment of a significant number of third party sales partners as part of an initiative to reduce the risk to which the businesses are exposed by virtue of the use of third parties in our routes to market. We have also enhanced our anti-corruption policies and procedures relating to the engagement of sales partners where it is necessary to use them by mandating:
> restrictions on the number of sales partners to be engaged in each territory;
> the preparation of a full business case to justify the appointment of all new third party sales partners in future, including a two-stage bribery risk assessment incorporating the requisite level of risk-based due diligence, which must be approved by the Group Chief Executive before the sales partner is appointed;
> a full annual reappointment process for all retained sales partners, including recommissioning of the appropriate risk-based due diligence and resubmission of a full business case for approval by the Group Chief Executive; and
> increased reporting requirements for all payments made to third party sales partners and higher risk service providers.

Relevant employees completed updated on-line training on BACM during the year and BACM compliance was a specific area of focus of our internal audit programme.
<table>
<thead>
<tr>
<th>Question</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.3. Does the board or a dedicated board committee provide oversight of the company's anti-bribery and corruption programme?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is evidence that a designated board committee is ultimately responsible for the oversight of the company's anti-bribery and corruption programme. However, the company receives a score of ‘1’ because there is no evidence to suggest that it engages in formal oversight functions, such as reviewing reports from management or the results of internal and external audits.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Evidence</th>
</tr>
</thead>
</table>
Accessed 14/04/2020  
[p.8] We value your feedback  
The Executive Committee appointed by the Board of Chemring Group PLC is responsible for ensuring that the Code of Conduct is being properly applied and implemented, and that it remains relevant as our business continues to develop.  
If you have any suggestions on how the Code or other aspects of our procedures can be improved, please e-mail the Group Legal Director at ethics@chemring.co.uk. |

Accessed 14/04/2020  
[p.50] Leadership  
Governance framework  
The Board is responsible for ensuring leadership of the Group through effective oversight and review, and aims to deliver the long-term sustainable success of the business. The Board discharges some of its responsibilities directly in accordance with the formal schedule of matters reserved to it for approval, and discharges others through Board committees and the executive management. The key responsibilities of the Board, its committees and the executive management are set out below.  
[...]  
Executive Committee  
Oversees the delivery of the Group’s strategy; monitors the operational and financial performance of the businesses; allocates resources across the Group; manages risk; and implements the Group’s Operational Framework and governance policies. The Group Chief Executive chairs the Executive Committee, which meets monthly. The members of the Committee are the executive directors, the President of the Group’s US operations, the Group Health & Safety Director, the Chief People Officer and the Group Director of Corporate Affairs |

| [3] Ethics and Business Conduct (Webpage)  
Accessed 14/04/2020  
https://www.chemring.co.uk/sustainability/ethics-and-business-conduct  
Operational Framework |
Our Operational Framework, which was implemented on 1 January 2019, incorporates a broad range of more than thirty five new and revised policies and procedures which have now been adopted by all of our businesses. The Operational Framework implements an enhanced governance and compliance framework to enable us to operate in a safe, consistent and accountable way. As part of this enhanced governance framework, we have introduced 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 will enable us to drive continuous improvement in our governance and compliance framework. It will allow us to monitor and address the evolution of a number of the key risks we face and will become an important area of focus for our internal audit activities in future, as detailed below.

Code of Conduct

The 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.

[...]

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, gifts and hospitality, and facilitation payments.
1.4. Is responsibility for implementing and managing the company’s anti-bribery and corruption programme ultimately assigned to a senior executive, and does he or she have a direct reporting line to the board or board committee providing oversight of the company’s programme?

**Score**

2

**Comments**

There is some evidence to suggest that a designated senior executive has ultimate responsibility for implementing and managing the company's anti-bribery and corruption programme. There is evidence that this person has a direct reporting line to the board committee that provides oversight of the anti-bribery and corruption programme. There is some evidence of reporting and feedback activities between this person and the board.

**Evidence**

Accessed 14/04/2020

[p.8] We value your feedback

The Executive Committee appointed by the Board of Chemring Group PLC is responsible for ensuring that the Code of Conduct is being properly applied and implemented, and that it remains relevant as our business continues to develop.

If you have any suggestions on how the Code or other aspects of our procedures can be improved, please e-mail the Group Legal Director at ethics@chemring.co.uk.

Accessed 14/04/2020

[p.50] Leadership
Governance framework

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[…] Executive Committee

Oversees the delivery of the Group’s strategy; monitors the operational and financial performance of the businesses; allocates resources across the Group; manages risk; and implements the Group’s Operational Framework and governance policies.

The Group Chief Executive chairs the Executive Committee, which meets monthly. The members of the Committee are the executive directors, the President of the Group’s US operations, the Group Health & Safety Director, the Chief People Officer and the Group Director of Corporate Affairs.

[p.51]
Our Operational Framework, which was implemented on 1 January 2019, incorporates a broad range of more than thirty five new and revised policies and procedures which have now been adopted by all of our businesses. The Operational Framework implements an enhanced governance and compliance framework to enable us to operate in a safe, consistent and accountable way. As part of this enhanced governance framework, we have introduced 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 will enable us to drive continuous improvement in our governance and compliance framework. It will allow us to monitor and address the evolution of a number of the key risks we face and will become an important area of focus for our internal audit activities in future, as detailed below.
## 2. Internal Controls

<table>
<thead>
<tr>
<th>Question</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1. Is the design and implementation of the anti-bribery and corruption programme tailored to the company based on an assessment of the corruption and bribery risks it faces?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is evidence that the company has a formal bribery and corruption risk assessment procedure that informs the design of the anti-bribery and corruption programme. The results of risk assessments are reviewed by the board on at least an annual basis, or when the results of the risk assessments reveal significant findings. There is evidence that the results of such reviews are used to develop tailored mitigation plans and to update specific parts of the company's anti-bribery and corruption programme.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Evidence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accessed 14/04/2020</td>
</tr>
<tr>
<td><a href="https://www.chemring.co.uk/~/media/F...pdf">https://www.chemring.co.uk/~/media/F...pdf</a></td>
</tr>
<tr>
<td>[p.28] Risk management organisation</td>
</tr>
</tbody>
</table>

The Board is responsible for determining the nature and extent of risks it is willing to accept in delivering the Group’s strategy and running the Group’s operations, and ensuring that risks are effectively managed across the Group. The Board reviews the Group risk register on a regular basis, and considers whether the Risk Management Committee has appropriately identified the principal risks to which the Group is exposed. The Audit Committee is responsible for reviewing in detail the effectiveness of the Group’s systems of internal control, including financial, operational and compliance controls, and its risk management systems. The Audit Committee also reviews the effectiveness of the Group’s internal audit arrangements. The Risk Management Committee is responsible for overseeing the implementation of the Group’s risk management framework, and is also responsible for identifying the principal risks to which the Group is exposed, monitoring key mitigation plans and maintaining the Group risk register. The Risk Management Committee also reviews the business unit risk registers on a regular basis and considers input from the US Risk Management Committee which has been constituted to oversee risk within the US operations. The current members of the Risk Management Committee are: > Michael Ord (Group Chief Executive) > Bill Currer (President, US) > Sarah Ellard (Group Legal Director & Company Secretary) > Andrew Lewis (Group Finance Director) > Clancy Murphy (Chief People Officer) > Mark Taylor (Group Health & Safety Director) |

| [p.29] Risk management policy and framework |

The Group’s Risk Management Policy sets out the Group’s approach to risk management, including its risk appetite; the framework for assessing, managing and monitoring risk within the business; and the key roles and responsibilities for the oversight and implementation of the Group’s risk management systems and controls. The Group’s risk management framework draws fundamentally from the “Three Lines of Defence Methodology”, with the “First Line” being day-to-day management of risk and maintenance of effective control procedures at individual businesses. The “Second Line” comprises various risk management and control functions established at the corporate management level, which are designed to enhance and monitor the First Line. The “Third Line” comprises the Group’s internal audit function, utilising an external firm of auditors, which reports directly to the Audit Committee.
Key areas of focus during the year

During the past year, we have continued to improve our risk management systems, with specific focus in the following areas:

> we have adopted a new HSE Management System Framework Standard, which sets out new high-level standards for HSE management systems across the Group and includes an HSE “Second Line of Defence” assurance process;
> as referred to above, a new Operational Framework and operational assurance process was introduced in January 2019;
> we have enhanced our anti-bribery and corruption procedures, in order to further mitigate the potential risk associated with the engagement of third party sales partners and service providers;
> we have undertaken a review of the potential impact of Brexit on the Group and developed mitigation plans;
> a new crisis management and incident management plan has been adopted; and
> we have taken steps to ensure that our internal audit programme is more aligned to the key risks on the Group risk register going forward.

[p.35]

Legal and compliance risks

<table>
<thead>
<tr>
<th>Compliance and corruption risks</th>
<th>Mitigation actions/factors</th>
<th>Change during the year and outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk and potential impacts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Group operates in over fifty countries worldwide, in a highly-regulated environment, and is subject to the applicable laws and regulations of each of these jurisdictions. The Group must ensure that all of its businesses, its employees and third parties providing services on its behalf comply with all relevant legal and regulatory obligations. The nature of the Group’s operations could also expose it to government and regulatory investigations relating to safety and the environment, import-export controls, money laundering, false accounting, and corruption or bribery. The Group requires a significant number of permits, licences and approvals to operate its business, which may be subject to non-renewal or revocation.</td>
<td>&gt; New Operational Framework introduced, mandating compliance with a number of new policies and enhanced procedures covering a wide range of legal and regulatory requirements.</td>
<td>Explanatory note:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>&gt; Half-yearly operational assurance process established as part of the Operational Framework.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>&gt; Central legal and compliance function assists and monitors all Group businesses, supported by dedicated internal legal resource in the US.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>New Code of Conduct introduced, stipulating the standards of acceptable business conduct required from all employees and third parties acting on the Group’s behalf.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Updated Bribery Act Compliance Manual issued, incorporating enhanced anti-bribery policies and procedures.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>See also: Sustainability Page 44</td>
</tr>
</tbody>
</table>

[p.45] 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, gifts and hospitality, and facilitation payments. Our detailed anti-corruption procedures are incorporated within our Bribery Act Compliance Manual (“BACM”), which has been updated this year, and include 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;
> 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;
regular mandatory training on BACM and its application to their role for management, supervisors and all employees working within commercial, business development, sales and marketing, finance, procurement, quality and human resource functions;
> the giving and receiving of reasonable, proportionate and appropriate gifts and hospitality in the normal course of business; and
> completion of a BACM Compliance Certificate by each business bi-annually, confirming that all policies and procedures within BACM have been complied with.

During the year, the Group terminated the appointment of a significant number of third party sales partners as part of an initiative to reduce the risk to which the businesses are exposed by virtue of the use of third parties in our routes to market. We have also enhanced our anti-corruption policies and procedures relating to the engagement of sales partners where it is necessary to use them by mandating:

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

Relevant employees completed updated on-line training on BACM during the year and BACM compliance was a specific area of focus of our internal audit programme.

[4] Audit Committee Terms of Reference (Document)
Accessed 14/04/2020
https://www.chemring.co.uk/~/media/Files/C/Chemring-V3/corporate-governance/Audit%20Committee%20Terms%20of%20Reference%20November%202019.pdf
[p.3] 8.3 Risk management, internal controls and ongoing viability
8.3.1 The Committee shall:
8.3.1.1 on behalf of the Board (which retains overall responsibility for risk management), review and monitor the company’s internal financial control systems that identify, assess, manage and monitor financial risks, and other

[p.4] internal control and risk management systems, and at least annually, carry out a review of their effectiveness;
8.3.1.2 review and approve the statements to be included in the annual report concerning internal controls and risk management; and
8.3.1.3 where requested by the Board, ensure that a robust assessment of the principal risks faced by the company has been undertaken (including those risks that would threaten the company’s business model, future performance, solvency or liquidity, and reputation, and provide advice on the management or mitigation of those risks.
### Question

2.2. Is the company’s anti-bribery and corruption programme subject to regular internal or external audit, and are policies and procedures updated according to audit recommendations?

### Score

2

### Comments

There is evidence that the company’s anti-bribery and corruption programme is subject to a regular audit process to ensure the programme is consistent with best practice and the business risks facing the company. This includes provisions for continuous improvement, supplemented by an internal or external audit annually. There is also evidence that high-level audit findings are presented to the board, with clear ownership assigned to units for planned updates and improvements to the anti-bribery and corruption programme.

### Evidence

[4] Audit Committee Terms of Reference (Document)
Accessed 14/04/2020
https://www.chemring.co.uk/~media/Files/C/Chemring-V3/corporate-governance/Audit%20Committee%20Terms%20of%20Reference%20November%202019.pdf

[p.3] 8.3 Risk management, internal controls and ongoing viability
8.3.1 The Committee shall:
8.3.1.1 on behalf of the Board (which retains overall responsibility for risk management), review and monitor the company’s internal financial control systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems, and at least annually, carry out a review of their effectiveness;
8.3.1.2 review and approve the statements to be included in the annual report concerning internal controls and risk management; and
8.3.1.3 where requested by the Board, ensure that a robust assessment of the principal risks faced by the company has been undertaken (including those risks that would threaten the company’s business model, future performance, solvency or liquidity, and reputation, and provide advice on the management or mitigation of those risks).

[p.4] 8.6 Whistleblowing, fraud and compliance

The Committee shall:
8.6.1 review the adequacy and security of the Company’s arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
8.6.2 review the Company’s procedures for detecting fraud; and
8.6.3 review the Company’s systems and controls for the prevention of bribery, and receive reports on non-compliance.

Accessed 14/04/2020

[p.29] Risk management policy and framework

The Group’s Risk Management Policy sets out the Group’s approach to risk management, including its risk appetite; the framework for assessing, managing and monitoring risk within the business; and the key roles and responsibilities for the oversight and implementation of the Group’s risk management systems and controls. The Group’s risk management framework draws fundamentally from the “Three Lines of Defence Methodology”, with the “First Line” being day-to-day management of risk and maintenance of effective control procedures at individual businesses. The “Second Line” comprises various risk management and control functions established at the corporate management level, which are designed to enhance and monitor the First Line. The “Third Line” comprises the Group’s internal audit function, utilising an external firm of auditors, which reports directly to the Audit Committee.
Our Operational Framework, which was implemented on 1 January 2019, incorporates a broad range of more than thirty five new and revised policies and procedures which have now been adopted by all of our businesses. The Operational Framework implements an enhanced governance and compliance framework to enable us to operate in a safe, consistent and accountable way. As part of this enhanced governance framework, we have introduced 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 will enable us to drive continuous improvement in our governance and compliance framework. It will allow us to monitor and address the evolution of a number of the key risks we face and will become an important area of focus for our internal audit activities in future, as detailed below.
### Question

2.3. Does the company have a system for tracking, investigating and responding to bribery and corruption allegations or incidents, including those reported through whistleblowing channels?

### Score

1

### Comments

There is evidence that the company publicly commits to investigating incidents, and there is a specific procedure in place to deal with whistleblowing cases.

However, the company receives a score of ‘1’ because the procedure does not stipulate documentation and actions to be taken at each step nor does it cover the whole investigation process from receipt to final outcome. Furthermore, it is unclear whether the investigations are handled by an independent team and/or report to an independent board member. Also, there is no commitment to providing whistleblowers with updates on the outcome of investigations. Additionally, there is no evidence that the information on each investigation is documented or that summary information is reviewed by a central body.

### Evidence

Accessed 14/04/2020


Chemring is committed to creating an environment in which employees can voice concerns about potential breaches of our Code of Conduct, without fear of reprisal or retaliation.

If you believe that you have experienced or witnessed behaviour which does not meet the standards required by the Code, you have a responsibility to do something about it. You may first wish to discuss the matter informally with your line manager or your HR manager. For more serious issues, the Group’s Whistleblowing Policy and Procedures provide a mechanism by which employees can report genuinely held concerns about the application of the Code or about business practices more generally, without fear of reprisal or retaliation.

The telephone numbers and website access details for the external Ethics Reporting Line are listed on the back page of this Code. This service is available 24 hours a day, seven days a week, and reports may be made anonymously if you wish.

If you believe you are being treated unfairly as a consequence of raising a concern, you should report the matter through the Ethics Reporting Line. Any such claims will be investigated thoroughly. Anyone who engages in retaliation or reprisal will be considered to be in breach of this Code.

[3] Ethics and Business Conduct (Webpage)
Accessed 14/04/2020
https://www.chemring.co.uk/sustainability/ethics-and-business-conduct

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

[5] Chemring Ethicspoint (Webpage)
Accessed 14/04/2020

Our Chemring Code of Conduct, which sits alongside our Operational Framework, embraces our fundamental values of Safety, Excellence and Innovation, and sets out standards of behaviour and business conduct for all Chemring employees and third parties acting on our behalf, wherever they are located in the world.
Our Chemring culture embraces transparency and openness, and you can be assured that you may seek advice and voice any concerns through our ethics reporting line without fear of reprisal or retaliation.

Mick Ord
Group Chief Executive
July 2019
Question

2.4. Does the company have appropriate arrangements in place to ensure the quality of investigations?

Score

0

Comments

There is no evidence that the company assures itself of the quality of its internal investigations.

Evidence

Accessed 14/04/2020

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[p.51] Chemring Ethics Reporting Line Numbers

<table>
<thead>
<tr>
<th>United Kingdom</th>
<th>0800-032-8483</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>1-888-258-4544</td>
</tr>
<tr>
<td>Australia</td>
<td>1-800-339276</td>
</tr>
<tr>
<td>Norway</td>
<td>800-15654</td>
</tr>
</tbody>
</table>

Chemring Ethics Reporting Email Addresses

In the US, confidential reports may also be submitted via e-mail to Ethics@ChemringGroup.com or by accessing the following website www.ethicspoint.com

Across the rest of the world, confidential reports may also be submitted via e-mail to ethics@chemring.co.uk or by accessing the following website www.chemring.ethicspoint.com

Accessed 14/04/2020
[p.44] Code of Conduct
During the year the Group adopted an updated Code of Conduct. The 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 the Group's standards of behaviour and business conduct, as set out within the Code, and applicable laws and regulations in all of the countries in which the Group operates. All employees, current and new, are provided with a copy of the Code of Conduct, and receive training on its application to their role within the business. 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 [p.45] in place which enable all employees to raise concerns, in confidence, about possible improprieties or wrongdoing within the business, without fear of reprisal or retaliation. Employees are able to raise issues by contacting our 24-hour ethics reporting service by phone, email or an external website. All issues reported by employees are taken seriously and investigated appropriately in a confidential manner.

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Our Chemring Code of Conduct, which sits alongside our Operational Framework, embraces our fundamental values of Safety, Excellence and Innovation, and sets out standards of behaviour and business conduct for all Chemring employees and third parties acting on our behalf, wherever they are located in the world.

I am committed to developing a culture within Chemring where everyone does the right thing and takes personal responsibility for their actions. The Code of Conduct provides direction on legal, ethical and risk issues you may encounter in your day-to-day activities, and offers guidance on how you should take the right actions to protect our business and the wider interests of all our stakeholders, including our colleagues, customers and shareholders. Developing a Chemring culture which embraces responsible behaviour is a key aspect of building a business which we can all be proud of.

Our Chemring culture embraces transparency and openness, and you can be assured that you may seek advice and voice any concerns through our ethics reporting line without fear of reprisal or retaliation.

Mick Ord
Group Chief Executive
July 2019
<table>
<thead>
<tr>
<th>Question</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.5. <strong>Does the company's investigative procedure include a commitment to report material findings of bribery and corruption to the board and any criminal conduct to the relevant authorities?</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Score</th>
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<tbody>
<tr>
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</table>

<table>
<thead>
<tr>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is no evidence that the company's investigative procedure includes a commitment to report material findings to the board of directors or the relevant authorities.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Evidence</th>
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</thead>
<tbody>
<tr>
<td>No evidence found.</td>
</tr>
<tr>
<td>Question</td>
</tr>
<tr>
<td>----------</td>
</tr>
<tr>
<td>Score</td>
</tr>
<tr>
<td>Comments</td>
</tr>
<tr>
<td>Evidence</td>
</tr>
</tbody>
</table>
## 3. Support to Employees

<table>
<thead>
<tr>
<th>Question</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>3.1. Does the company provide training on its anti-bribery and corruption programme to all employees across all divisions and geographies, and in all appropriate languages?</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Score</th>
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<tr>
<td><strong>1</strong></td>
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</table>

<table>
<thead>
<tr>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is evidence that the company provides a training module that outlines the basic principles of its anti-bribery and corruption policy, including the whistleblowing options available to employees. However, the company receives a score of ‘1’ because there is no evidence that the training is systematically provided to all employees across all divisions, all countries and regions of operation or in all appropriate languages.</td>
</tr>
</tbody>
</table>

### Evidence

Accessed 14/04/2020  
[https://www.chemring.co.uk/~media/Files/C/Chemring-V3/reports/annual-report-2019.pdf](https://www.chemring.co.uk/~media/Files/C/Chemring-V3/reports/annual-report-2019.pdf)  
[p.44] Code of Conduct

During the year the Group adopted an updated Code of Conduct. The 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 the Group’s standards of behaviour and business conduct, as set out within the Code, and applicable laws and regulations in all of the countries in which the Group operates.

All employees, current and new, are provided with a copy of the Code of Conduct, and receive training on its application to their role within the business. 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 [p.45] in place which enable all employees to raise concerns, in confidence, about possible improprieties or wrongdoing within the business, without fear of reprisal or retaliation. Employees are able to raise issues by contacting our 24-hour ethics reporting service by phone, email or an external website. All issues reported by employees are taken seriously and investigated appropriately in a confidential manner.

**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, gifts and hospitality, and facilitation payments. Our detailed anti-corruption procedures are incorporated within our Bribery Act Compliance Manual (“BACM”), which has been updated this year, and include requirements for:

- regular mandatory training on BACM and its application to their role for management, supervisors and all employees working within commercial, business development, sales and marketing, finance, procurement, quality and human resource functions;

Relevant employees completed updated on-line training on BACM during the year and BACM compliance was a specific area of focus of our internal audit programme.
Code of Conduct

The 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 the Group’s standards of behaviour and business conduct, as set out within the Code, and applicable laws and regulations in all of the countries in which the Group operates.

All employees, current and new, are provided with a copy of the Code of Conduct, and receive training on its application to their role within the business.

[...]

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[...]

• regular mandatory training on BACM and its application to their role for management, supervisors and all employees working within commercial, business development, sales and marketing, finance, procurement, quality and human resource functions;

[...]

Relevant employees completed updated on-line training on BACM during 2019 and BACM compliance was a specific area of focus of our internal audit programme.
### Question

3.2. Does the company provide tailored training on its anti-bribery and corruption programme for at least the following categories of employees:
   - a) Employees in high risk positions,
   - b) Middle management,
   - c) Board members.

### Score

1

### Comments

There is evidence that the company tailors its anti-bribery and corruption training to employees in certain positions based on an assessment of their role and exposure to corruption risk. The company states that managers, and employees working in certain positions, including sales and procurement, receive anti-bribery and corruption training tailored to their role.

However, the company receives a score of ‘1’ because it does not mention board members nor does it specify that employees in high-risk positions are required to undertake refresher trainings on at least an annual basis.

### Evidence

Accessed 14/04/2020

[p.44] All employees, current and new, are provided with a copy of the Code of Conduct, and receive training on its application to their role within the business.

[p.45] 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, gifts and hospitality, and facilitation payments. Our detailed anti-corruption procedures are incorporated within our Bribery Act Compliance Manual (“BACM”), which has been updated this year, and include requirements for:

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[...]

- regular mandatory training on BACM and its application to their role for management, supervisors and all employees working within commercial, business development, sales and marketing, finance, procurement, quality and human resource functions;

[...]

Relevant employees completed updated on-line training on BACM during 2019 and BACM compliance was a specific area of focus of our internal audit programme.
Question

3.3. Does the company measure and review the effectiveness of its anti-bribery and corruption communications and training programme?

Score

2

Comments

There is some evidence that the company reviews its anti-bribery and corruption communications and personnel training programme. The company suggests that reviews are used to improve specific parts of its training programme. There is evidence that the company reviews its training on a half-yearly basis as part of its operational assurance process.

Evidence

Accessed 14/04/2020
[p.35]

[3] Ethics and Business Conduct (Webpage)
Accessed 14/04/2020
https://www.chemring.co.uk/sustainability/ethics-and-business-conduct

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[...]

- regular mandatory training on BACM and its application to their role for management, supervisors and all employees working within commercial, business development, sales and marketing, finance, procurement, quality and human resource functions;
Relevant employees completed updated on-line training on BACM during 2019 and BACM compliance was a specific area of focus of our internal audit programme.
3.4. Does the company ensure that its employee incentive schemes are designed in such a way that they promote ethical behaviour and discourage corrupt practices?

Score
1

Comments
There is evidence that the company’s incentive schemes incorporate ethical and anti-bribery and corruption principles. There is evidence to suggest that incentives are designed to minimise compliance risks arising from target-based incentives, and that objectives include compliance principles.

However, the company receives a score of ‘1’ because this is insufficiently detailed and where financial rewards are part of the company’s incentive schemes, it is not clear that these must be proportionate to the employee’s salary in the case of high risk employees, such as sales roles.

Evidence

Accessed 14/04/2020

[p.69]

Risk
Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated

> The annual bonus plan includes non-financial personal objectives covering the management of risks in areas such as safety and compliance, as well as requiring bonus deferral.
> The inclusion of broad malus and clawback provisions in the incentive arrangements and the discretion reserved by the Committee to override formulaic outcomes also mitigate the risk of inappropriate rewards.

Proportionality
The link between individual awards, the delivery of strategy and the long-term performance of the company should be clear
Outcomes should not reward poor performance

> The annual bonus plan targets and performance conditions associated with PSP awards provide a direct link between individuals’ incentive rewards and delivery of strategic objectives which underpin the long-term performance of the Company.
> The annual bonus plan and the PSP require threshold levels of performance before any payments are made or awards vest, and the Remuneration Committee retains discretion to override formulaic outcomes if deemed appropriate.

Alignment to culture
Incentive schemes should drive behaviours consistent with company purpose, values and strategy

> The annual bonus plan includes non-financial personal objectives which embrace the Company’s values of Safety, Excellence and Innovation, and which are also aligned to the delivery of agreed strategic objectives. The performance conditions under the PSP also incentivise long-term performance through the delivery of strategy and shareholder value.
<table>
<thead>
<tr>
<th>Question</th>
<th>3.5. Does the company commit to and assure itself that it will support and protect employees who refuse to act unethically, even when it might result in a loss of business?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Score</td>
<td>0</td>
</tr>
<tr>
<td>Comments</td>
<td>There is no evidence that the company commits to support or protect employees who refuse to act unethically.</td>
</tr>
<tr>
<td>Evidence</td>
<td>No evidence found.</td>
</tr>
<tr>
<td>Question</td>
<td></td>
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<tr>
<td>-------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>3.6. Does the company have a clear policy of non-retaliation against</td>
<td></td>
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<tr>
<td>whistleblowers and employees who report bribery and corruption incidents?</td>
<td></td>
</tr>
</tbody>
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<table>
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<tr>
<th>Score</th>
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<tr>
<td>1</td>
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<table>
<thead>
<tr>
<th>Comments</th>
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</thead>
<tbody>
<tr>
<td>There is evidence that the company promotes a clear policy of non-retaliation against both whistleblowers and employees who report bribery and corruption incidents that explicitly applies to all employees across the organisation, including those employed by the group as third parties, suppliers and joint venture partners. However, the company receives a score of ‘1’ because there is no evidence that the company assures itself of its employees’ confidence in this commitment through surveys, usage data, or other clearly stated means.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Evidence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accessed 14/04/2020</td>
</tr>
<tr>
<td>[p.2] Message from the Group Chief Executive</td>
</tr>
<tr>
<td>[…]</td>
</tr>
<tr>
<td>Our Chemring culture embraces transparency and openness, and you can be assured that you may seek advice and voice any concerns without fear of reprisal or retaliation.</td>
</tr>
<tr>
<td>Mick Ord</td>
</tr>
<tr>
<td>Group Chief Executive</td>
</tr>
<tr>
<td>July 2019</td>
</tr>
<tr>
<td>[p.4] Why do we have this Code of Conduct?</td>
</tr>
<tr>
<td>This Code of Conduct sets out the standards of behaviour and business conduct we expect of all Chemring employees and third parties acting on our behalf, wherever they are located in the world. We expect these standards, underpinned by the principle of doing the right thing, to be adopted by individuals whenever they are performing their day-to-day duties as employees of Chemring or where they are representing Chemring, and for all employees to take personal responsibility for ensuring that our commitment to sound and ethical business conduct is delivered.</td>
</tr>
<tr>
<td>Who does the Code of Conduct apply to?</td>
</tr>
<tr>
<td>The Code of Conduct applies to all subsidiary companies of Chemring Group PLC and their directors, officers, managers and employees. Third party partners or advisers who act on Chemring’s behalf will also be expected to comply with the Code.</td>
</tr>
<tr>
<td>[p.5] What is required of me?</td>
</tr>
<tr>
<td>[…]</td>
</tr>
<tr>
<td>If you are a manager or supervisor of employees, you have a responsibility to lead by example. You must also ensure that members of your team receive and understand the Code, that they are able to seek guidance when required, and that any issues of concern which are reported to you are dealt with in the proper manner.</td>
</tr>
<tr>
<td>Chemring is committed to creating an environment in which employees can voice concerns about potential breaches of our Code of Conduct, without fear of reprisal or retaliation.</td>
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[…]

If you believe you are being treated unfairly as a consequence of raising a concern, you should report the matter through the Ethics Reporting Line. Any such claims will be investigated thoroughly. Anyone who engages in retaliation or reprisal will be considered to be in breach of this Code.

Accessed 14/04/2020
[p.44] Code of Conduct

[…]

All employees and all third parties who act on the Group’s behalf are required to comply with the Group’s standards of behaviour and business conduct, as set out within the Code, and applicable laws and regulations in all of the countries in which the Group operates.

[…]

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.

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[…]

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Mick Ord
Group Chief Executive
July 2019
<table>
<thead>
<tr>
<th>Question</th>
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<tbody>
<tr>
<td>3.7. Does the company provide multiple whistleblowing and advice channels for use by all (e.g. employees and external parties), and do they allow for confidential and, wherever possible, anonymous reporting?</td>
</tr>
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<table>
<thead>
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<th>Score</th>
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<td>2</td>
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<table>
<thead>
<tr>
<th>Comments</th>
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</thead>
<tbody>
<tr>
<td>There is evidence that the company has multiple channels to report instances of suspected corrupt activity and seek advice on the company's anti-bribery and corruption programme. Channels are sufficiently varied to allow the employee to raise concerns across the management chain and to relevant external bodies. These channels allow for confidential and, wherever possible, anonymous reporting. They are available and accessible to all employees in all jurisdictions where the company operates, including those employed by the group as third parties, suppliers and joint venture partners. There is evidence that reporting can be done in all languages relevant to the jurisdictions in which it operates.</td>
</tr>
</tbody>
</table>

<table>
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<tr>
<th>Evidence</th>
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</thead>
<tbody>
<tr>
<td>Accessed 14/04/2020</td>
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<tr>
<td>[p.4] Why do we have this Code of Conduct?</td>
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</tr>
<tr>
<td>[p.5] What is required of me?</td>
</tr>
<tr>
<td>All current and new Chemring employees will receive a copy of the Code of Conduct.</td>
</tr>
<tr>
<td>You must read and understand the Code, and take personal responsibility for complying with it at all times by doing the right thing when dealing with your colleagues and other stakeholders, including customers, suppliers, competitors and shareholders.</td>
</tr>
<tr>
<td>If you are a manager or supervisor of employees, you have a responsibility to lead by example. You must also ensure that members of your team receive and understand the Code, that they are able to seek guidance when required, and that any issues of concern which are reported to you are dealt with in the proper manner.</td>
</tr>
<tr>
<td>Our Operational Framework includes detailed policies and guidelines which supplement the principles of the Code and are frequently referred to in the Code. These may relate to specific issues such as health and safety, or may address specific requirements of the country in which you are located. You must familiarise yourself with these policies and guidelines, which are available on the Group intranet, from the Group Legal Director at the UK head office or from your local HR department.</td>
</tr>
<tr>
<td>The Code provides a framework and guidance for ethical conduct but is not designed to cover all situations which you may encounter in your day-to-day activities.</td>
</tr>
</tbody>
</table>
Chemring is committed to creating an environment in which employees can voice concerns about potential breaches of our Code of Conduct, without fear of reprisal or retaliation.

If you believe that you have experienced or witnessed behaviour which does not meet the standards required by the Code, you have a responsibility to do something about it. You may first wish to discuss the matter informally with your line manager or your HR manager. For more serious issues, the Group’s Whistleblowing Policy and Procedures provide a mechanism by which employees can report genuinely held concerns about the application of the Code or about business practices more generally, without fear of reprisal or retaliation.

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[p.51] Chemring Ethics Reporting Line Numbers

<p>| | |</p>
<table>
<thead>
<tr>
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<tbody>
<tr>
<td>United Kingdom</td>
<td>0800-032-8483</td>
</tr>
<tr>
<td>United States</td>
<td>1-888-258-4544</td>
</tr>
<tr>
<td>Australia</td>
<td>1-800-339276</td>
</tr>
<tr>
<td>Norway</td>
<td>800-15654</td>
</tr>
</tbody>
</table>

Chemring Ethics Reporting Email Addresses

In the US, confidential reports may also be submitted via e-mail to Ethics@ChemringGroup.com or by accessing the following website www.ethicspoint.com

Across the rest of the world, confidential reports may also be submitted via e-mail to ethics@chemring.co.uk or by accessing the following website www.chemring.ethicspoint.com

Accessed 14/04/2020

[p.44] Code of Conduct

During the year the Group adopted an updated Code of Conduct. The 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 the Group’s standards of behaviour and business conduct, as set out within the Code, and applicable laws and regulations in all of the countries in which the Group operates.

All employees, current and new, are provided with a copy of the Code of Conduct, and receive training on its application to their role within the business. 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

[p.45] in place which enable all employees to raise concerns, in confidence, about possible improprieties or wrongdoing within the business, without fear of reprisal or retaliation. Employees are able to raise issues by contacting our 24-hour ethics reporting service by phone, email or an external website. All issues reported by employees are taken seriously and investigated appropriately in a confidential manner.
The 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 the Group’s standards of behaviour and business conduct, as set out within the Code, and applicable laws and regulations in all of the countries in which the Group operates.

All employees, current and new, are provided with a copy of the Code of Conduct, and receive training on its application to their role within the business.

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

Chemring operates in four home markets in the UK, US, Australia and Norway and we export our products and services around the world.
4. Conflict of Interest

<table>
<thead>
<tr>
<th>Question</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1. Does the company have a policy defining conflicts of interest – actual, potential and perceived – that applies to all employees and board members?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Score</th>
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<tbody>
<tr>
<td>1</td>
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</table>

<table>
<thead>
<tr>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is evidence that the company formally addresses conflicts of interest as a corruption risk, and has a clear policy that defines conflicts of interest, including actual, potential and perceived conflicts. The company states that this policy applies to employees and board members, including those of subsidiaries and other controlled entities. The policy covers employee relationships, financial interest and other employment. However, the company receives a score of ‘1’ because the policy does not cover government relationships.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Evidence</th>
</tr>
</thead>
</table>
Accessed 14/04/2020  

[p.4] Why do we have this Code of Conduct?  

This Code of Conduct sets out the standards of behaviour and business conduct we expect of all Chemring employees and third parties acting on our behalf, wherever they are located in the world. We expect these standards, underpinned by the principle of doing the right thing, to be adopted by individuals whenever they are performing their day-to-day duties as employees of Chemring or where they are representing Chemring, and for all employees to take personal responsibility for ensuring that our commitment to sound and ethical business conduct is delivered.  

Who does the Code of Conduct apply to?  

The Code of Conduct applies to all subsidiary companies of Chemring Group PLC and their directors, officers, managers and employees. Third party partners or advisers who act on Chemring’s behalf will also be expected to comply with the Code.  

[p.18] 2.6 Conflicts of interest  

We will manage conflicts of interest within the business properly and with integrity.  

Our principles  

We will identify any relationships with other employees, customers, business partners, suppliers or competitors where our personal interests conflict or might appear to conflict with those of Chemring, and will ensure these are disclosed and managed appropriately.  

We will:  
• promptly disclose any potential conflicts of interest of which we become aware to our line manager; and  
• seek approval prior to entering into any relationship which might impact on our ability to make objective and unbiased business decisions in the sole interests of Chemring and its shareholders.  

We will not:  
• have a substantial personal shareholding or other personal interest in a company with whom a Chemring company does business, especially so if the company is a private one;  
• perform any work in our spare time for a third party with whom a Chemring company does business or which is a competitor to Chemring;  

• be involved in activities for our own personal gain which conflict with Chemring’s business interests;
• use Chemring's assets to undertake work or provide services for a third party for our own personal gain;

[p.19] • accept or ask for gifts or favours from a third party with whom a Chemring company does business, where the gift or favour, due to its nature or size, is either illegal, disproportionate to normal business practice, or might put us under a sense of obligation to the third party in conflict with our duty to Chemring;
• borrow from any third party who does business with Chemring, other than at arms’ length and on commercial terms;
• directly employ or appoint a partner or relative to perform services for Chemring for reward.

Relevant policies
• Conflicts of Interest Policy

[p.20] Practical examples

Q. I happen to know we are about to look for a new supplier for one of our raw materials and my cousin works for one of the companies that we will be approaching for a quote. What should I do?

A. You should speak to your line manager in the first instance and let them know of the family connection. You should not provide any confidential information to your cousin regarding the tender process and, if possible, you should make sure you are not involved in the procurement decision in order to avoid any accusation that you may have unfairly influenced the decision.

Q. Two former colleagues have decided to set up a new software development company and want me to help them out in my spare time. Is this allowable?

A. There are a number of issues you need to consider when assessing whether this potential opportunity could impact on your role within Chemring. You will need to consider whether what you would be doing would create a conflict of interest. If the software development is unrelated to your day job, this is more likely to be acceptable. However, if you will be asked to draw on skills used in your day job or to utilise information gained in the course of your role, this could cause a number of issues, including potential breaches of confidentiality. Furthermore, taking on additional employment may infringe your contract of employment. Before agreeing to do anything you should seek advice from your line manager or your local HR team.

Accessed 14/04/2020

[p.55] Conflicts of interest

All directors have a duty under the Companies Act 2006 (the “2006 Act”) to avoid a situation in which he or she has or can have a direct or indirect interest that conflicts or may possibly conflict with the interests of the Company. The Company’s Articles of Association include provisions for dealing with directors’ conflicts of interest in accordance with the 2006 Act. The Company has procedures in place to deal with situations where directors may have any such conflicts, which require the Board to:
> consider each conflict situation separately on its particular facts;
> consider the conflict situation in conjunction with the rest of their duties under the 2006 Act;
> keep records and Board minutes as to authorisations granted by directors and the scope of any approvals given; and
> regularly review conflict authorisation.

Accessed 14/04/2020

[p.38] Directors’ Interests

136. For the purposes of section 175 of the Act, the board may authorise any matter proposed to it in accordance with these Articles which would, if not so authorised, involve a breach of duty by a director under that section, including, without limitation, any matter which relates to a situation in which a director has, or can have, an interest which conflicts, or possibly may conflict, with the interests of the Company. Any such authorisation will be effective only if:
(a) any requirement as to quorum at the meeting at which the matter is considered is met without counting the director in question or any other interested director; and

[p.39] (b) the matter was agreed to without their voting or would have been agreed to if their votes had not been counted.

The board may (whether at the time of the giving of the authorisation or subsequently) make any such authorisation subject to any limits or conditions it expressly imposes but such authorisation is otherwise given to the fullest extent permitted. The board may vary or terminate any such authorisation at any time.

For the purposes of the Articles, a conflict of interest includes a conflict of interest and duty and a conflict of duties, and interest includes both direct and indirect interests.

137. Provided that he or she has disclosed to the board the nature and extent of his or her interest (unless the circumstances referred to in section 177(5) or section 177(6) of the Act apply, in which case no such disclosure is required) a director notwithstanding his or her office:

• (a) may be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise (directly or indirectly) interested;
• (b) may act by himself or his or her firm in a professional capacity for the Company (otherwise than as auditor) and he or she or his or her firm shall be entitled to remuneration for professional services as if he or she were not a director; and
• (c) may be a director or other officer of, or employed by, or a party to a transaction or arrangement with, or otherwise interested in, any body corporate:
  (i) in which the Company is (directly or indirectly) interested as shareholder or otherwise; or
  (ii) with which he or she has such a relationship at the request or direction of the Company.

138. A director shall not, by reason of his or her office, be accountable to the Company for any remuneration or other benefit which he or she derives from any office or employment or from any transaction or arrangement or from any interest in any body corporate:

• (a) the acceptance, entry into or existence of which has been approved by the board pursuant to Article 136 (subject, in any such case, to any limits or conditions to which such approval was subject); or
• (b) which he or she is permitted to hold or enter into by virtue of paragraph (a), (b) or (c) of Article 137; nor shall the receipt of any such remuneration or other benefit constitute a breach of his or her duty under section 176 of the Act.

139. Any disclosure required by Article 137 may be made at a meeting of the board, by notice in writing or by general notice or otherwise in accordance with section 177 of the Act.

140. A director shall be under no duty to the Company with respect to any information which he or she obtains or has obtained otherwise than as a director of the Company and in respect of which he or she owes a duty of confidentiality to another person. However, to the extent that his or her relationship with that other person gives rise to a conflict of interest or possible conflict of interest, this Article applies only if the existence of that relationship has been approved by the board pursuant to Article 136. In particular, the director shall not be in breach of the general duties he owes to the Company by virtue of sections 171 to 177 of the Act because he or she fails:

(a) to disclose any such information to the board or to any director or other officer or employee of the Company; and/or
(b) to use or apply any such information in performing his or her duties as a director of the Company.

141. Where the existence of a director’s relationship with another person has been approved by the board pursuant to Article 136 and his or her relationship with that person gives rise to a conflict of interest or possible conflict of interest, the director shall not be in breach of the general duties he owes to the Company by virtue of sections 171 to 177 of the Act because he:

(a) absents himself or herself from meetings of the board at which any matter relating to the conflict of interest or possible conflict of interest will or may be discussed or from the discussion of any such matter at a meeting or otherwise; and/or
(b) makes arrangements not to receive documents and information relating to any matter which gives rise to the conflict of interest or possible conflict of interest sent or supplied by the Company and/or for such documents and information to be received and read by a professional adviser, for so long as he or she reasonably believes such conflict of interest or possible conflict of interest subsists.
142. The provisions of Articles 140 and 141 are without prejudice to any equitable principle or rule of law which may excuse the director from:
   . (a) disclosing information, in circumstances where disclosure would otherwise be required under these Articles; or
   . (b) attending meetings or discussions or receiving documents and information as referred to in Article 141, in circumstances where such attendance or receiving such documents and information would otherwise be required under these Articles.
4.2. Are there procedures in place to identify, declare and manage conflicts of interest, which are overseen by a body or individual ultimately accountable for the appropriate management and handling of conflict of interest cases?

Score

1

Comments

There is evidence that the company has procedures to identify, declare and manage conflicts of interest, including actual, potential and perceived conflicts.

However, the company receives a score of ‘1’ because it does not state that all employee and board member declarations are held in a dedicated register or central depository that is accessible to those responsible for oversight of the process. There is also no reference to a specific body or individual with oversight and accountability for handling cases and the policy does not mention examples of criteria for recusals.

Evidence

Accessed 14/04/2020

[p.8] What are the consequences of breaching the Code of Conduct?

Chemring regards any failure to comply with the Code as a serious issue which may cause substantial damage to its business interests and reputation. Accordingly, breaches of the Code may be dealt with as a serious disciplinary matter, which may lead to reprimand or dismissal of the individual in question.

[p.18] 2.6 Conflicts of interest

We will manage conflicts of interest within the business properly and with integrity.

Our principles

We will identify any relationships with other employees, customers, business partners, suppliers or competitors where our personal interests conflict or might appear to conflict with those of Chemring, and will ensure these are disclosed and managed appropriately.

We will:
• promptly disclose any potential conflicts of interest of which we become aware to our line manager; and
• seek approval prior to entering into any relationship which might impact on our ability to make objective and unbiased business decisions in the sole interests of Chemring and its shareholders.

[p.20] Practical examples

Q. I happen to know we are about to look for a new supplier for one of our raw materials and my cousin works for one of the companies that we will be approaching for a quote. What should I do?

A. You should speak to your line manager in the first instance and let them know of the family connection. You should not provide any confidential information to your cousin regarding the tender process and, if possible, you should make sure you are not involved in the procurement decision in order to avoid any accusation that you may have unfairly influenced the decision.

Q. Two former colleagues have decided to set up a new software development company and want me to help them out in my spare time. Is this allowable?

A. There are a number of issues you need to consider when assessing whether this potential opportunity could impact on your role within Chemring. You will need to consider whether what you would be doing would create a conflict of interest. If the software development is unrelated to your day job, this is more likely to be acceptable. However, if you will be asked to draw on skills used in your day job or to utilise information gained in the course of
your role, this could cause a number of issues, including potential breaches of confidentiality. Furthermore, taking on additional employment may infringe your contract of employment. Before agreeing to do anything you should seek advice from your line manager or your local HR team.

Accessed 14/04/2020
[p.55] Conflicts of interest

All directors have a duty under the Companies Act 2006 (the “2006 Act”) to avoid a situation in which he or she has or can have a direct or indirect interest that conflicts or may possibly conflict with the interests of the Company. The Company’s Articles of Association include provisions for dealing with directors’ conflicts of interest in accordance with the 2006 Act. The Company has procedures in place to deal with situations where directors may have any such conflicts, which require the Board to:

> consider each conflict situation separately on its particular facts;
> consider the conflict situation in conjunction with the rest of their duties under the 2006 Act;
> keep records and Board minutes as to authorisations granted by directors and the scope of any approvals given; and
> regularly review conflict authorisation.

Accessed 14/04/2020
[p.38] Directors’ Interests

136. For the purposes of section 175 of the Act, the board may authorise any matter proposed to it in accordance with these Articles which would, if not so authorised, involve a breach of duty by a director under that section, including, without limitation, any matter which relates to a situation in which a director has, or can have, an interest which conflicts, or possibly may conflict, with the interests of the Company. Any such authorisation will be effective only if:

(a) any requirement as to quorum at the meeting at which the matter is considered is met without counting the director in question or any other interested director; and

(b) the matter was agreed to without their voting or would have been agreed to if their votes had not been counted.

The board may (whether at the time of the giving of the authorisation or subsequently) make any such authorisation subject to any limits or conditions it expressly imposes but such authorisation is otherwise given to the fullest extent permitted. The board may vary or terminate any such authorisation at any time.

For the purposes of the Articles, a conflict of interest includes a conflict of interest and duty and a conflict of duties, and interest includes both direct and indirect interests.

137. Provided that he or she has disclosed to the board the nature and extent of his or her interest (unless the circumstances referred to in section 177(5) or section 177(6) of the Act apply, in which case no such disclosure is required) a director notwithstanding his or her office:

- (a) may be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise (directly or indirectly) interested;
- (b) may act by himself or his or her firm in a professional capacity for the Company (otherwise than as auditor) and he or she or his or her firm shall be entitled to remuneration for professional services as if he or she were not a director; and
- (c) may be a director or other officer of, or employed by, or a party to a transaction or arrangement with, or otherwise interested in, any body corporate:
  (i) in which the Company is (directly or indirectly) interested as shareholder or otherwise; or
  (ii) with which he or she has such a relationship at the request or direction of the Company.

138. A director shall not, by reason of his or her office, be accountable to the Company for any remuneration or other benefit which he or she derives from any office or employment or from any transaction or arrangement or from any interest in any body corporate:
139. Any disclosure required by Article 137 may be made at a meeting of the board, by notice in writing or by general notice or otherwise in accordance with section 177 of the Act.

140. A director shall be under no duty to the Company with respect to any information which he or she obtains or has obtained otherwise than as a director of the Company and in respect of which he or she owes a duty of confidentiality to another person. However, to the extent that his or her relationship with that other person gives rise to a conflict of interest or possible conflict of interest, this Article applies only if the existence of that relationship has been approved by the board pursuant to Article 136. In particular, the director shall not be in breach of the general duties he or she owes to the Company by virtue of sections 171 to 177 of the Act because he or she fails:

(a) to disclose any such information to the board or to any director or other officer or employee of the Company; and/or

(b) to use or apply any such information in performing his or her duties as a director of the Company.

141. Where the existence of a director’s relationship with another person has been approved by the board pursuant to Article 136 and his or her relationship with that person gives rise to a conflict of interest or possible conflict of interest, the director shall not be in breach of the general duties he owes to the Company by virtue of sections 171 to 177 of the Act because he:

(a) absents himself or herself from meetings of the board at which any matter relating to the conflict of interest or possible conflict of interest will or may be discussed or from the discussion of any such matter at a meeting or otherwise; and/or

(b) makes arrangements not to receive documents and information relating to any matter which gives rise to the conflict of interest or possible conflict of interest sent or supplied by the Company and/or for such documents and information to be received and read by a professional adviser, for so long as he or she reasonably believes such conflict of interest or possible conflict of interest subsists.

142. The provisions of Articles 140 and 141 are without prejudice to any equitable principle or rule of law which may excuse the director from:

- (a) disclosing information, in circumstances where disclosure would otherwise be required under these Articles; or

- (b) attending meetings or discussions or receiving documents and information as referred to in Article 141, in circumstances where such attendance or receiving such documents and information would otherwise be required under these Articles.
<table>
<thead>
<tr>
<th>Question</th>
<th></th>
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<tbody>
<tr>
<td>4.3. Does the company have a policy and procedure regulating the appointment of directors, employees or consultants from the public sector?</td>
<td></td>
</tr>
<tr>
<td>Score</td>
<td>0</td>
</tr>
<tr>
<td>Comments</td>
<td>There is no evidence that the company has a policy regulating the employment of current or former public officials.</td>
</tr>
<tr>
<td>Evidence</td>
<td>No evidence found.</td>
</tr>
</tbody>
</table>
### Question

**4.4. Does the company report details of the contracted services of serving politicians to the company?**

### Score

0

### Comments

There is no evidence that the company reports details of the contracted services of serving politicians.

### Evidence

No evidence found.
## 5. Customer Engagement

### 5.1 Contributions, Donations and Sponsorships

<table>
<thead>
<tr>
<th>Question</th>
<th>5.1.1. Does the company have a clearly defined policy and/or procedure covering political contributions?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Score</td>
<td>2</td>
</tr>
</tbody>
</table>

| Comments | The company states in its code of conduct that it does not make political contributions. This is also reflected in the company’s annual report. |

Accessed 14/04/2020  
[p.46] 3.13 Lobbying and political donations  
Chemring does not make political donations.  
Our principles  
Chemring does not make donations or contributions to political parties or for party political purposes. Employees must not use corporate funds for this purpose.  
Any lobbying undertaken on behalf of Chemring will comply fully with all applicable laws and regulations.  
We will:  
• if we engage in lobbying activities on behalf of Chemring, understand and comply with all laws and regulations of the country in which the lobbying occurs;  
• ensure we have obtained the proper internal approvals before commencing any lobbying activity;  
• report any lobbying activity in accordance with applicable laws and regulations;  
• if we engage in activities of a political nature outside of work, make it clear that any views expressed are personal and not those of Chemring; and  
• be mindful, at all times, of any potentially harmful impact of our personal activities on Chemring’s reputation.  
[p.47] We will not:  
• use Chemring funds or resources to contribute to any political campaign, political party, political candidate or any of their associated organisations;  
• use charitable donations as a substitute for political payments.  
Relevant policies  
• Political Donations and Lobbying Policy  
• Community Investment Policy |
|----------|---------------------------------------------------------------------------------------------|
Accessed 14/04/2020  
[p.86] Political donations  
No political donations were made during the year (2018: £nil) |
<table>
<thead>
<tr>
<th>Question</th>
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</thead>
<tbody>
<tr>
<td>5.1.2. Does the company publish details of all political contributions made by the company and its subsidiaries, or a statement that it has made no such contribution?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Score</th>
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</thead>
<tbody>
<tr>
<td>N/A</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>The company publishes a clear statement that it does not make any political contributions, and is therefore exempt from scoring on this question.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Evidence</th>
</tr>
</thead>
</table>
5.1.3. Does the company have a clearly defined policy and/or procedure covering charitable donations and sponsorships, whether made directly or indirectly, and does it publish details of all such donations made by the company and its subsidiaries?

Score

0

Comments

There is some evidence that the company has a policy covering charitable donations; however, there is no evidence that the company has a policy or procedure covering also sponsorships.

Evidence

Accessed 14/04/2020
[p.50] 3.15 Community investment

We acknowledge our responsibility to ensure the responsible operation of our business with regards to our wider community.

Our principles

We recognise that each Chemring business has an important role to play in its local community, and we therefore encourage community interaction for the benefit of Chemring and its stakeholders.

We support charitable organisations which are directly linked to defence and the military, those which benefit people in our local areas and communities, and those with a focus on STEM (science, technology, engineering and mathematics) initiatives.

We will:
• only make charitable donations in full compliance with all applicable laws and regulations, our Community Investment Policy and our Bribery Act Compliance Manual;
• ensure all charitable donations are properly recorded;
• encourage and support employees who wish to undertake voluntary work in their community, in line with our agreed policy.

We will not:
• make any charitable donations to any organisations expressly prohibited by our Community Investment Policy

Relevant policies
• Community Investment Policy

Accessed 14/04/2020
[p.43] 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 June this year, a large number of Chemring UK employees supported the Armed Forces Day event in Salisbury. This event took place over three days and saw school children and the wider local community enjoying demonstrations of Chemring’s capability and technology as part of a Science, Technology, Engineering and Maths (“STEM”) village set up for the event.
In addition to making cash donations, the Group also encourages and supports employees who undertake voluntary work in the local community, where appropriate. During the year, employees donated their time and services on a wide range of projects, several of which had an educational bias.

Across the business, our people are involved with a number of educational initiatives and as a business we have relationships with several universities, whereby funding is provided for students’ research activities.

[p.59] Communities

We recognise that each of our businesses has an important role to play in its local community. We also acknowledge the impact of our business on wider society.

How we engage

Our businesses each engage with their local communities in a wide variety of ways, and support local community projects from sponsorship of local sports teams to providing assistance to neighbouring schools and other educational establishments.

Our community investment policy confirms our commitment to support selected charitable causes with a focus on the military and the armed forces, our local communities and STEM-related initiatives. In addition to making cash donations, we also encourage and support employees who undertake voluntary work in the local community. During the year, our UK businesses participated in the Armed Forces Day event in Salisbury, with a significant presence in the STEM village.

We are cognisant that our manufacturing activities can on occasion impact on the local community, for example when we are proofing products, and we liaise with our neighbours to minimise the impact. We also seek to ensure that our operations do not cause harm to the local environment, in accordance with our environmental strategy
5.2 Lobbying

<table>
<thead>
<tr>
<th>Question</th>
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<tbody>
<tr>
<td>5.2.1 Does the company have a policy and/or procedure covering responsible lobbying?</td>
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</table>

<table>
<thead>
<tr>
<th>Score</th>
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<tbody>
<tr>
<td>1</td>
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<table>
<thead>
<tr>
<th>Comments</th>
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</thead>
<tbody>
<tr>
<td>There is evidence that the company has a policy covering responsible lobbying. It includes some standards of conduct and provides some guidelines on what behaviours are considered acceptable. This policy applies to all employees, board members and third parties lobbying on the company's behalf. However, the company receives a score of '1' because it does not provide guidelines on the corruption risks associated with lobbying and it does not mention specific oversight mechanisms that apply to all types of lobbyists.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Evidence</th>
</tr>
</thead>
</table>
Accessed 14/04/2020  
[p.4] Who does the Code of Conduct apply to?  
The Code of Conduct applies to all subsidiary companies of Chemring Group PLC and their directors, officers, managers and employees. Third party partners or advisers who act on Chemring’s behalf will also be expected to comply with the Code.  
[p.46] 3.13 Lobbying and political donations  
[…]  
Any lobbying undertaken on behalf of Chemring will comply fully with all applicable laws and regulations. We will:  
• if we engage in lobbying activities on behalf of Chemring, understand and comply with all laws and regulations of the country in which the lobbying occurs;  
• ensure we have obtained the proper internal approvals before commencing any lobbying activity;  
• report any lobbying activity in accordance with applicable laws and regulations;  
• if we engage in activities of a political nature outside of work, make it clear that any views expressed are personal and not those of Chemring; and  
• be mindful, at all times, of any potentially harmful impact of our personal activities on Chemring’s reputation.  
[p.47] We will not:  
• use Chemring funds or resources to contribute to any political campaign, political party, political candidate or any of their associated organisations;  
• use charitable donations as a substitute for political payments. |

Relevant policies  
• Political Donations and Lobbying Policy  
• Community Investment Policy
### Question

5.2.2 Does the company publish details of the aims and topics of its public policy development and lobbying activities it carries out?

| Score | 0 |

| Comments |

There is no evidence that the company publishes any information on its lobbying aims, topics or activities.

| Evidence |

No evidence found.
<table>
<thead>
<tr>
<th>Question</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.2.3 Does the company publish full details of its global lobbying expenditure?</td>
</tr>
<tr>
<td>Score</td>
</tr>
<tr>
<td>0</td>
</tr>
<tr>
<td>Comments</td>
</tr>
<tr>
<td>There is no evidence that the company provides any details about its global lobbying expenditure.</td>
</tr>
<tr>
<td>Evidence</td>
</tr>
<tr>
<td>No evidence found.</td>
</tr>
</tbody>
</table>
5.3 Gifts and Hospitality

Question

5.3.1 Does the company have a policy and/or procedure on gifts and hospitality to ensure they are bona fide to prevent undue influence or other corruption?

Score

2

Comments

There is evidence that the company has a policy on the giving and receipt of gifts and hospitality with clear procedures designed to ensure that such promotional expenses are bona fide and not used for bribery. This policy establishes some limits, along with an approval procedure. The company's policy includes a statement that all gifts and hospitality are recorded in a dedicated register or central depository that is accessible to those responsible for oversight of the process. There is some evidence that the company addresses the risks associated with gifts and hospitality given to and received from domestic or foreign public officials.

Evidence

Accessed 14/04/2020

[p.4] Who does the Code of Conduct apply to?

The Code of Conduct applies to all subsidiary companies of Chemring Group PLC and their directors, officers, managers and employees. Third party partners or advisers who act on Chemring’s behalf will also be expected to comply with the Code.

[p.28] We will not under any circumstance pay a bribe to, or accept a bribe from, any individual, incorporated or unincorporated organisation, and/or public officials in order to gain or retain any business advantage or for any other improper purpose. This applies not only to payments of cash but also the giving and receiving of other favours or benefits.

[p.32] 3.5 Gifts and hospitality

We will not give or accept gifts or hospitality which may improperly influence our business decisions or outcomes, or which may be construed as a bribe.

Our principles

Whilst we recognise that the courtesy of giving and receiving gifts and hospitality of modest value in the normal course of business, where permitted by law, is acceptable in principle, under no circumstances must the giving or receiving be done with a view to the recipient being influenced to act improperly, or to obtaining any form of improper advantage.

We will:
• only accept or offer gifts or hospitality of a modest value, when it is lawful and customary practice to do so;
• ensure that the receipt and giving of gifts and hospitality is duly authorised, and recorded as necessary, in accordance with our gifts and hospitality policy; and
• ensure that all records are made in a timely and verifiable form and manner

We will not:
• offer, promise or give any gifts or hospitality which may be (or may be misconstrued as) a personal reward for the recipient, intended to influence the recipient to act improperly, or to reward improper behaviour on the part of the recipient;
• request, agree to receive or accept any gifts or hospitality which we believe are intended to influence improper behaviour or decisions, or which would impose an obligation on us to treat another third party unfavourably.

[p.33] Relevant policies
• Anti-Corruption Policy
• Bribery Act Compliance Manual

Practical examples

Q. One of our key suppliers has offered me the chance to go on a driving day with a colleague, in order that we can meet their key personnel and develop a better relationship for the benefit of both parties. Can I accept?

A. The giving and receiving of gifts and hospitality of modest value is recognised as an important and established part of doing business. All Chemring businesses have in place their own Gifts and Hospitality Policy and a register for recording such gifts and hospitality. As long as there is a genuine business reason for the hospitality and it is appropriate to the relationship, if it is within the scope of your Gifts and Hospitality Policy and offered to you for the right reasons and properly documented on the Register then such an invitation may be accepted.

Accessed 14/04/2020

[p.45] 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, gifts and hospitality, and facilitation payments. Our detailed anti-corruption procedures are incorporated within our Bribery Act Compliance Manual (“BACM”), which has been updated this year, and include requirements for:

[...]

> the giving and receiving of reasonable, proportionate and appropriate gifts and hospitality in the normal course of business;

[8] Supplier Code of Conduct (Document)
Accessed 14/04/2020
https://www.chemring.co.uk/~media/Files/C/Chemring-V3/corporate-governance/Chemring%20Supplier%20Code%20of%20Conduct%202019%20FINAL.pdf

[p.2] 6. Anti-corruption

Chemring is committed to complying with all anti-corruption laws that prohibit bribes, kickbacks and other corrupt actions to obtain or retain business, or obtain any improper advantage. Suppliers must:

[...]

• Ensure any gifts or hospitality offered to Chemring employees are customary and reasonable in terms of value and frequency, and not intended to improperly influence a business decision or impair independence or judgment.
### 6. Supply Chain Management

<table>
<thead>
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<th>Question</th>
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<tr>
<td>6.1. Does the company require the involvement of its procurement department in the establishment of new supplier relationships and in the oversight of its supplier base?</td>
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<tbody>
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</table>

<table>
<thead>
<tr>
<th>Evidence</th>
</tr>
</thead>
</table>
Accessed 14/04/2020  
[p.58] Suppliers  
We rely on our suppliers to provide us with products and services which meet our stringent safety, quality and performance requirements, which in turn allows us to fulfil our commitments to our customers. Effective management of our supply chain is critical to ensuring the continuity of our business and reliable operational performance.  
How we engage  
Our businesses engage with a broad range of suppliers on a day-to-day basis, to ensure that our expectations are met from a quality and delivery perspective, and to ensure that our suppliers are conducting their business in line with our own standards.  
Long-term agreements are entered into with key suppliers where appropriate, and performance targets are regularly agreed with suppliers to assist with our drive for continuous improvement.  
Our Supplier Code of Conduct is issued to all suppliers and sets out the standards of business conduct we expect of them, including in relation to human rights. |
6.2 Does the company conduct risk-based anti-bribery and corruption due diligence when engaging or re-engaging with its suppliers?

| Score | 0 |

Comments

There is evidence that the company conducts due diligence on its suppliers. However, the company simply states that it conducts due diligence on its suppliers, without providing any further details and therefore cannot receive a score of ‘1’.

Evidence

Accessed 14/04/2020
[p.26] 3.2 Acceptable business practice

We will only engage in business which is lawful and which does not expose Chemring to unacceptable reputational risk.

Our principles

We will conduct our business in accordance with our Policy on the Sale of Goods and Services, which provides guidance for employees and third parties on the products and services that we will supply, to which customers, and to which countries. Our policy also sets out a clear definition of what we will not supply, taking into account both legal and reputational considerations.

We will:
• take due care to ensure that any business which is proposed to be entered into by or on behalf of Chemring is permitted under the Policy on the Sale of Goods and Services;
• ensure that we undertake appropriate due diligence on our customers and satisfy ourselves that doing business with these customers will not expose Chemring to unacceptable reputational risk; and
• ensure that all employees and third parties acting on our behalf understand the policy and are informed of any changes to the policy.

We will not:
• engage in any discussions with any customers or other third parties regarding the supply of products or services which is not permitted under the policy.

Relevant policies
• Policy on the Sale of Goods and Services
• Export Control Policy

[p.30] 3.4 Appointment of third party advisers
We will only enter into business relationships with third parties who meet our high ethical standards.

Our principles

We will appoint as third party advisers (including sales agents, marketing or sales consultants, distributors and service providers) only those who are prepared to commit to compliance with our Code of Conduct and with all applicable laws and regulations.

We will:
• conduct appropriate due diligence on all potential third party advisers;

Accessed 14/04/2020
The Group has well-established anti-corruption policies, which are included within our Operational Framework. Specifically, these cover bribery and corruption, gifts and hospitality, and facilitation payments. Our detailed anti-corruption procedures are incorporated within our Bribery Act Compliance Manual ("BACM"), which has been updated this year, and include 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;

> 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;
### Question

6.3 Does the company require all of its suppliers to have adequate standards of anti-bribery and corruption policies and procedures in place?

| Score | 1 |

| Comments |

There is evidence that the company requires suppliers to have adequate anti-bribery and corruption policies and procedures in place. It is explicitly stated that all suppliers must have, at minimum, policies that prohibit foreign and domestic bribery, prohibit facilitation payments, as well as policies and procedures to address conflicts of interest, gifts and hospitality, and whistleblowing. There is evidence to suggest that the company takes active steps to ensure that its suppliers have adequate anti-bribery and corruption policies and procedures in place.

However, the company receives a score of ‘1’ because it is unclear whether the company assures itself of this when onboarding new suppliers or when there is a significant change in the business relationship.

### Evidence

[8] Supplier Code of Conduct (Document)
Accessed 14/04/2020
https://www.chemring.co.uk/~/media/Files/C/Chemring-V3/corporate-governance/Chemring%20Supplier%20Code%20of%20Conduct%202019%20FINAL.pdf

[p.2] 5. Ethics

Chemring expects its suppliers to commit to the highest standards of ethical behaviour when dealing with their employees, their own suppliers and their customers.

Suppliers are expected to:
- Prohibit all forms of fraud, deception, corruption and extortion by their employees, officers, directors or agents.
- Not partake in, facilitate or assist in tax evasion in any form.
- Adhere to standards of fair business and competition.
- Accurately report information regarding their business activities and performance in accordance with all applicable laws and regulations.

[...]

6. Anti-corruption

Chemring is committed to complying with all anti-corruption laws that prohibit bribes, kickbacks and other corrupt actions to obtain or retain business, or obtain any improper advantage.

Suppliers must:
- As a minimum, comply with all applicable anti-corruption laws, with particular regard for the UK Bribery Act 2010, when conducting business with Chemring.
- Not, directly or indirectly, accept or offer any form of bribe, kickback or other corrupt payment from or to any person or organisation, including government agencies, private companies and their respective employees.
- Ensure any gifts or hospitality offered to Chemring employees are customary and reasonable in terms of value and frequency, and not intended to improperly influence a business decision or impair independence or judgment.
- Ensure any third parties who provide goods or services on their behalf operate at all times in accordance with these standards.

Raising concerns

Suppliers who have a serious concern regarding any issue which may breach this Code should raise the matter with the appropriate Chemring senior management. If you believe the matter cannot be handled appropriately in this way, you can also report any matters of concern using our Ethics Reporting Line. This service is available 24 hours a day, seven days a week. The telephone numbers and website access details are as follows:

United Kingdom 0800-032-8483
In the US, confidential reports may also be submitted via e-mail to Ethics@ChemringGroup.com or by accessing the following website www.ethicspoint.com

Across the rest of the world, confidential reports may be submitted via e-mail to ethics@chemring.co.uk or by accessing the following website www.chemring.ethicspoint.com

Accessed 14/04/2020

[p.4] Who does the Code of Conduct apply to?

The Code of Conduct applies to all subsidiary companies of Chemring Group PLC and their directors, officers, managers and employees. Third party partners or advisers who act on Chemring’s behalf will also be expected to comply with the Code.

[p.18] 2.6 Conflicts of interest

We will manage conflicts of interest within the business properly and with integrity.

Our principles

We will identify any relationships with other employees, customers, business partners, suppliers or competitors where our personal interests conflict or might appear to conflict with those of Chemring, and will ensure these are disclosed and managed appropriately.

We will:
• promptly disclose any potential conflicts of interest of which we become aware to our line manager; and
• seek approval prior to entering into any relationship which might impact on our ability to make objective and unbiased business decisions in the sole interests of Chemring and its shareholders.

We will not:
• have a substantial personal shareholding or other personal interest in a company with whom a Chemring company does business, especially so if the company is a private one;
• perform any work in our spare time for a third party with whom a Chemring company does business or which is a competitor to Chemring;
• be involved in activities for our own personal gain which conflict with Chemring’s business interests;
• use Chemring’s assets to undertake work or provide services for a third party for our own personal gain;
• accept or ask for gifts or favours from a third party with whom a Chemring company does business, where the gift or favour, due to its nature or size, is either illegal, disproportionate to normal business practice, or might put us under a sense of obligation to the third party in conflict with our duty to Chemring;
• borrow from any third party who does business with Chemring, other than at arms’ length and on commercial terms;
• directly employ or appoint a partner or relative to perform services for Chemring for reward.

Relevant policies
• Conflicts of Interest Policy

[p.20] Practical examples

Q. I happen to know we are about to look for a new supplier for one of our raw materials and my cousin works for one of the companies that we will be approaching for a quote. What should I do?

A. You should speak to your line manager in the first instance and let them know of the family connection. You should not provide any confidential information to your cousin regarding the tender process and, if possible, you
should make sure you are not involved in the procurement decision in order to avoid any accusation that you may have unfairly influenced the decision.

Q. Two former colleagues have decided to set up a new software development company and want me to help them out in my spare time. Is this allowable?

A. There are a number of issues you need to consider when assessing whether this potential opportunity could impact on your role within Chemring. You will need to consider whether what you would be doing would create a conflict of interest. If the software development is unrelated to your day job, this is more likely to be acceptable. However, if you will be asked to draw on skills used in your day job or to utilise information gained in the course of your role, this could cause a number of issues, including potential breaches of confidentiality. Furthermore, taking on additional employment may infringe your contract of employment. Before agreeing to do anything you should seek advice from your line manager or your local HR team.

[p.28] 3.3 Anti-bribery and corruption
Chemring adopts a zero-tolerance approach to bribery and corruption.

Our principles

Bribery is a criminal offence. Paying or conspiring to pay, soliciting or accepting bribes is against the law in the UK and many other countries in which we do business.

We will not under any circumstance pay a bribe to, or accept a bribe from, any individual, incorporated or unincorporated organisation, and/or public officials in order to gain or retain any business advantage or for any other improper purpose. This applies not only to payments of cash but also the giving and receiving of other favours or benefits.

We require our employees and all third parties acting on our behalf to conduct business honestly and with integrity.

We will:
• require employees and all third parties acting on our behalf, anywhere in the world, to comply at all times with our policies and procedures which have been adopted to prevent bribery, as set out in our Bribery Act Compliance Manual; and
• speak up if we become aware of any potential or actual breach of anti-bribery laws or regulations, or our own internal bribery prevention procedures.

[p.29] We will not:
• tolerate or condone bribery or any other type of corrupt activity;
• offer, promise or give, solicit, agree to receive or demand any financial or other advantage, whether directly or indirectly, in order to induce or reward improper behaviour, where such behaviour would constitute a bribe;
• offer or make facilitation payments;
• pay a bribe or participate in any other corrupt activity, anywhere in the world, regardless of local custom and practice, for the purpose of winning or retaining business, or an advantage in the conduct of business, for Chemring.

Relevant policies
• Anti-Corruption Policy
• Bribery Act Compliance Manual
<table>
<thead>
<tr>
<th>Question</th>
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<tbody>
<tr>
<td>6.4 Does the company ensure that its suppliers require all their sub-contractors to have anti-corruption programmes in place that at a minimum adhere to the standards established by the main contractor?</td>
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<table>
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<tr>
<th>Comments</th>
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<tbody>
<tr>
<td>There is evidence that the company takes steps to ensure that its sub-contractors have adequate anti-bribery and corruption programmes in place and that the substance of its anti-corruption and bribery programme and standards are included in subcontracts throughout the supply chain.</td>
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</tbody>
</table>

However, this evidence is in the form of a clear statement and it is unclear how the company does this in practice.

<table>
<thead>
<tr>
<th>Evidence</th>
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<tbody>
<tr>
<td>[8] Supplier Code of Conduct (Document)</td>
</tr>
<tr>
<td>Accessed 14/04/2020</td>
</tr>
<tr>
<td>[p.2] 5. Ethics</td>
</tr>
<tr>
<td>Chemring expects its suppliers to commit to the highest standards of ethical behaviour when dealing with their employees, their own suppliers and their customers.</td>
</tr>
</tbody>
</table>

Suppliers are expected to:
• Prohibit all forms of fraud, deception, corruption and extortion by their employees, officers, directors or agents.
• Not partake in, facilitate or assist in tax evasion in any form.
• Adhere to standards of fair business and competition.
• Accurately report information regarding their business activities and performance in accordance with all applicable laws and regulations.

[...] 6.Anti-corruption |

Chemring is committed to complying with all anti-corruption laws that prohibit bribes, kickbacks and other corrupt actions to obtain or retain business, or obtain any improper advantage.

Suppliers must:
• As a minimum, comply with all applicable anti-corruption laws, with particular regard for the UK Bribery Act 2010, when conducting business with Chemring.
• Not, directly or indirectly, accept or offer any form of bribe, kickback or other corrupt payment from or to any person or organisation, including government agencies, private companies and their respective employees.
• Ensure any gifts or hospitality offered to Chemring employees are customary and reasonable in terms of value and frequency, and not intended to improperly influence a business decision or impair independence or judgment.
• Ensure any third parties who provide goods or services on their behalf operate at all times in accordance with these standards.

Raising concerns |

Suppliers who have a serious concern regarding any issue which may breach this Code should raise the matter with the appropriate Chemring senior management. If you believe the matter cannot be handled appropriately in this way, you can also report any matters of concern using our Ethics Reporting Line. This service is available 24 hours a day, seven days a week. The telephone numbers and website access details are as follows:

United Kingdom 0800-032-8483
United States 1-888-258-4544
Australia 1-800-339276
Norway 800-15654
In the US, confidential reports may also be submitted via e-mail to Ethics@ChemringGroup.com or by accessing the following website www.ethicspoint.com

Across the rest of the world, confidential reports may be submitted via e-mail to ethics@chemring.co.uk or by accessing the following website www.chemring.ethicspoint.com
<table>
<thead>
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<th>Question</th>
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<tbody>
<tr>
<td>6.5  Does the company publish high-level results from ethical incident</td>
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<tr>
<td>investigations and disciplinary actions against suppliers?</td>
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<td></td>
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<tr>
<td>Score</td>
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<tr>
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<tr>
<td>Comments</td>
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<tr>
<td>There is no evidence that the company publishes any data on ethical or</td>
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<tr>
<td>anti-bribery and corruption investigations relating to its suppliers,</td>
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<tr>
<td>or the associated disciplinary actions.</td>
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<tr>
<td>Evidence</td>
</tr>
<tr>
<td>No evidence found.</td>
</tr>
</tbody>
</table>
7. Agents, Intermediaries and Joint Ventures

7.1 Agents and Intermediaries

| Question | 7.1.1 Does the company have a clear policy on the use of agents? |
| Score | 2 |

There is evidence that the company has a policy to control the use of agents which addresses the corruption risks associated with the use of agents and provides details of specific controls to mitigate these risks. As part of this policy, the company commits to establishing and verifying that the use of an agent is, in each case, necessary to perform a legitimate business function. This policy applies to all divisions within the organisation which might employ agents, including subsidiaries and joint ventures.

**Evidence**

Accessed 14/04/2020
[p.29] Key areas of focus during the year

During the past year, we have continued to improve our risk management systems, with specific focus in the following areas:

[...]

> we have enhanced our anti-bribery and corruption procedures, in order to further mitigate the potential risk associated with the engagement of third party sales partners and service providers;

[p.45] 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, gifts and hospitality, and facilitation payments. Our detailed anti-corruption procedures are incorporated within our Bribery Act Compliance Manual (“BACM”), which has been updated this year, and include requirements for:

[...]

> 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;

[...]

During the year, the Group terminated the appointment of a significant number of third party sales partners as part of an initiative to reduce the risk to which the businesses are exposed by virtue of the use of third parties in our routes to market. We have also enhanced our anti-corruption policies and procedures relating to the engagement of sales partners where it is necessary to use them by mandating:

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

Accessed 14/04/2020

[p.4] Who does the Code of Conduct apply to?

The Code of Conduct applies to all subsidiary companies of Chemring Group PLC and their directors, officers, managers and employees. Third party partners or advisers who act on Chemring’s behalf will also be expected to comply with the Code.

[p.30] 3.4 Appointment of third party advisers

We will only enter into business relationships with third parties who meet our high ethical standards.

Our principles

We will appoint as third party advisers (including sales agents, marketing or sales consultants, distributors and service providers) only those who are prepared to commit to compliance with our Code of Conduct and with all applicable laws and regulations.

We will:
• conduct appropriate due diligence on all potential third party advisers;
• ensure that all appointments of third party advisers and the contractual arrangements we make with them are properly authorised and approved in accordance with the procedures set out in our Bribery Act Compliance Manual;
• subject all third party advisers to ongoing review and monitoring, to ensure that they continue to demonstrate compliance with our Code of Conduct;
• comply with all internal controls governing payments made to third party advisers; and
• speak up if we become aware of any potential or actual breach of anti-bribery laws or regulations, or our own internal bribery prevention procedures by any third party advisers.

[p.31] We will not:
• permit any third party advisers to:
  – offer, promise or give, solicit, agree to receive or demand any financial or other advantage, whether directly or indirectly, in order to induce or reward improper behaviour;
  – offer or make facilitation payments;
  – pay a bribe or participate in any other corrupt activity, anywhere in the world, regardless of local custom and practice, for the purpose of winning or retaining business, or an advantage in the conduct of business, for Chemring;
• pursue any commercial relationships with third party advisers which might require Chemring to engage in unethical behaviour or illegal acts.

Relevant policies
• Anti-Corruption Policy
• Bribery Act Compliance Manual

Practical examples
Q. I have been approached by a potential new sales agent at an exhibition, who claims to have knowledge of a business opportunity which would be of interest. After an initial discussion, he asks if he can pursue discussions with the potential customer, indicating that he is acting on our behalf. Is it acceptable to proceed informally?

A. No, you must follow the approval process in our Bribery Act Compliance Manual before authorising any third party to act on behalf of Chemring and before agreeing to engage the third party, even if it is only a verbal commitment.
<table>
<thead>
<tr>
<th>Question</th>
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<tr>
<td>7.1.2 Does the company conduct risk-based anti-bribery and corruption due diligence when engaging or re-engaging its agents and intermediaries?</td>
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<tbody>
<tr>
<td>There is evidence that the company has formal procedures to conduct risk-based anti-bribery and corruption due diligence prior to engaging with its third parties and agents. The company states that it conducts due diligence on third parties and agents, with more thorough due diligence being undertaken for higher risk agents and third parties. The company states that due diligence is repeated at least annually. The company states that it will not engage with agents or intermediaries where risks identified in the due diligence cannot be mitigated and suggests that it would apply this same approach with existing relationships when refreshing its due diligence on an annual basis.</td>
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<table>
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<tr>
<th>Evidence</th>
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</thead>
<tbody>
<tr>
<td>Accessed 14/04/2020</td>
</tr>
<tr>
<td>[p.45] Anti-bribery and corruption</td>
</tr>
</tbody>
</table>

The Group has well-established anti-corruption policies, which are included within our Operational Framework. Specifically, these cover bribery and corruption, gifts and hospitality, and facilitation payments. Our detailed anti-corruption procedures are incorporated within our Bribery Act Compliance Manual (“BACM”), which has been updated this year, and include requirements for:

> 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;

[...]

During the year, the Group terminated the appointment of a significant number of third party sales partners as part of an initiative to reduce the risk to which the businesses are exposed by virtue of the use of third parties in our routes to market. We have also enhanced our anti-corruption policies and procedures relating to the engagement of sales partners where it is necessary to use them by mandating:

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

| Accessed 14/04/2020 |
| [p.26] 3.2 Acceptable business practice |

We will only engage in business which is lawful and which does not expose Chemring to unacceptable reputational risk.

Our principles

We will conduct our business in accordance with our Policy on the Sale of Goods and Services, which provides guidance for employees and third parties on the products and services that we will supply, to which customers, and
to which countries. Our policy also sets out a clear definition of what we will not supply, taking into account both legal and reputational considerations.

We will:

[...]

• ensure that we undertake appropriate due diligence on our customers and satisfy ourselves that doing business with these customers will not expose Chemring to unacceptable reputational risk; and

[p.30] 3.4 Appointment of third party advisers

We will only enter into business relationships with third parties who meet our high ethical standards.

Our principles

We will appoint as third party advisers (including sales agents, marketing or sales consultants, distributors and service providers) only those who are prepared to commit to compliance with our Code of Conduct and with all applicable laws and regulations.

We will:

• conduct appropriate due diligence on all potential third party advisers;

[p.31] Practical examples

Q. I have been approached by a potential new sales agent at an exhibition, who claims to have knowledge of a business opportunity which would be of interest. After an initial discussion, he asks if he can pursue discussions with the potential customer, indicating that he is acting on our behalf. Is it acceptable to proceed informally?

A. No, you must follow the approval process in our Bribery Act Compliance Manual before authorising any third party to act on behalf of Chemring and before agreeing to engage the third party, even if it is only a verbal commitment.
<table>
<thead>
<tr>
<th>Question</th>
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<tbody>
<tr>
<td>7.1.3 Does the company aim to establish the ultimate beneficial ownership of its agents and intermediaries?</td>
</tr>
<tr>
<td>Score</td>
</tr>
<tr>
<td>0</td>
</tr>
<tr>
<td>Comments</td>
</tr>
<tr>
<td>There is no evidence that the company aims to establish the beneficial ownership of its agents.</td>
</tr>
<tr>
<td>Evidence</td>
</tr>
<tr>
<td>No evidence found.</td>
</tr>
</tbody>
</table>
### Question

**7.1.4** Does the company’s anti-bribery and corruption policy apply to all agents and intermediaries acting for or on behalf of the company, and does it require anti-bribery and corruption clauses in its contracts with these entities?

### Score

2

### Comments

There is evidence that the company’s anti-bribery and corruption policy applies to all agents and intermediaries acting for or on behalf of the company. All agents and intermediaries are subject to anti-bribery and corruption clauses in their contracts, which include clear audit rights and termination rights to detect, control and prevent breaches.

### Evidence

Accessed 14/04/2020  
[https://www.chemring.co.uk/~media/Files/C/Chemring-V3/pdfs/Chemring_Code%20of%20Conduct_A5_56pp_2019_AW2_Web_Single%20Pages.pdf](https://www.chemring.co.uk/~media/Files/C/Chemring-V3/pdfs/Chemring_Code%20of%20Conduct_A5_56pp_2019_AW2_Web_Single%20Pages.pdf)

[p.4] Who does the Code of Conduct apply to?

The Code of Conduct applies to all subsidiary companies of Chemring Group PLC and their directors, officers, managers and employees. Third party partners or advisers who act on Chemring’s behalf will also be expected to comply with the Code.

[p.18] 2.6 Conflicts of interest

We will manage conflicts of interest within the business properly and with integrity.

Our principles

We will identify any relationships with other employees, customers, business partners, suppliers or competitors where our personal interests conflict or might appear to conflict with those of Chemring, and will ensure these are disclosed and managed appropriately.

We will:

- promptly disclose any potential conflicts of interest of which we become aware to our line manager; and
- seek approval prior to entering into any relationship which might impact on our ability to make objective and unbiased business decisions in the sole interests of Chemring and its shareholders.

We will not:

- have a substantial personal shareholding or other personal interest in a company with whom a Chemring company does business, especially so if the company is a private one;
- perform any work in our spare time for a third party with whom a Chemring company does business or which is a competitor to Chemring;
- be involved in activities for our own personal gain which conflict with Chemring’s business interests;
- use Chemring’s assets to undertake work or provide services for a third party for our own personal gain;
- accept or ask for gifts or favours from a third party with whom a Chemring company does business, where the gift or favour, due to its nature or size, is either illegal, disproportionate to normal business practice, or might put us under a sense of obligation to the third party in conflict with our duty to Chemring;
- borrow from any third party who does business with Chemring, other than at arms’ length and on commercial terms;
- directly employ or appoint a partner or relative to perform services for Chemring for reward.

[p.26] 3.2 Acceptable business practice

We will only engage in business which is lawful and which does not expose Chemring to unacceptable reputational risk.
Our principles

We will conduct our business in accordance with our Policy on the Sale of Goods and Services, which provides guidance for employees and third parties on the products and services that we will supply, to which customers, and to which countries. Our policy also sets out a clear definition of what we will not supply, taking into account both legal and reputational considerations.

We will:
• take due care to ensure that any business which is proposed to be entered into by or on behalf of Chemring is permitted under the Policy on the Sale of Goods and Services;
• ensure that we undertake appropriate due diligence on our customers and satisfy ourselves that doing business with these customers will not expose Chemring to unacceptable reputational risk; and
• ensure that all employees and third parties acting on our behalf understand the policy and are informed of any changes to the policy.

We will not:
• engage in any discussions with any customers or other third parties regarding the supply of products or services which is not permitted under the policy.

[p.28] 3.3 Anti-bribery and corruption

Chemring adopts a zero-tolerance approach to bribery and corruption.

Our principles

Bribery is a criminal offence. Paying or conspiring to pay, soliciting or accepting bribes is against the law in the UK and many other countries in which we do business.

We will not under any circumstance pay a bribe to, or accept a bribe from, any individual, incorporated or unincorporated organisation, and/or public officials in order to gain or retain any business advantage or for any other improper purpose. This applies not only to payments of cash but also the giving and receiving of other favours or benefits.

We require our employees and all third parties acting on our behalf to conduct business honestly and with integrity.

We will:
• require employees and all third parties acting on our behalf, anywhere in the world, to comply at all times with our policies and procedures which have been adopted to prevent bribery, as set out in our Bribery Act Compliance Manual; and
• speak up if we become aware of any potential or actual breach of anti-bribery laws or regulations, or our own internal bribery prevention procedures.

[p.29] We will not:
• tolerate or condone bribery or any other type of corrupt activity;
• offer, promise or give, solicit, agree to receive or demand any financial or other advantage, whether directly or indirectly, in order to induce or reward improper behaviour, where such behaviour would constitute a bribe;
• offer or make facilitation payments;
• pay a bribe or participate in any other corrupt activity, anywhere in the world, regardless of local custom and practice, for the purpose of winning or retaining business, or an advantage in the conduct of business, for Chemring.

[p.30] 3.4 Appointment of third party advisers

We will only enter into business relationships with third parties who meet our high ethical standards.

Our principles

We will appoint as third party advisers (including sales agents, marketing or sales consultants, distributors and service providers) only those who are prepared to commit to compliance with our Code of Conduct and with all applicable laws and regulations.

We will:
• conduct appropriate due diligence on all potential third party advisers;
• ensure that all appointments of third party advisers and the contractual arrangements we make with them are properly authorised and approved in accordance with the procedures set out in our Bribery Act Compliance Manual;
• subject all third party advisers to ongoing review and monitoring, to ensure that they continue to demonstrate compliance with our Code of Conduct;
• comply with all internal controls governing payments made to third party advisers; and
• speak up if we become aware of any potential or actual breach of anti-bribery laws or regulations, or our own internal bribery prevention procedures by any third party advisers.

[p.31] We will not:
• permit any third party advisers to:
  – offer, promise or give, solicit, agree to receive or demand any financial or other advantage, whether directly or indirectly, in order to induce or reward improper behaviour;
  – offer or make facilitation payments;
  – pay a bribe or participate in any other corrupt activity, anywhere in the world, regardless of local custom and practice, for the purpose of winning or retaining business, or an advantage in the conduct of business, for Chemring;
• pursue any commercial relationships with third party advisers which might require Chemring to engage in unethical behaviour or illegal acts.

[p.45] 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, gifts and hospitality, and facilitation payments. Our detailed anti-corruption procedures are incorporated within our Bribery Act Compliance Manual (“BACM”), which has been updated this year, and include requirements for:

[…]

> 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;

[…]

During the year, the Group terminated the appointment of a significant number of third party sales partners as part of an initiative to reduce the risk to which the businesses are exposed by virtue of the use of third parties in our routes to market. We have also enhanced our anti-corruption policies and procedures relating to the engagement of sales partners where it is necessary to use them by mandating:
> restrictions on the number of sales partners to be engaged in each territory;
> the preparation of a full business case to justify the appointment of all new third party sales partners in future, including a two-stage bribery risk assessment incorporating the requisite level of risk-based due diligence, which must be approved by the Group Chief Executive before the sales partner is appointed;
> a full annual reappointment process for all retained sales partners, including recommissioning of the appropriate risk-based due diligence and resubmission of a full business case for approval by the Group Chief Executive; and
> increased reporting requirements for all payments made to third party sales partners and higher risk service providers.
Question

7.1.5 Does the company ensure that its incentive schemes for agents are designed in such a way that they promote ethical behaviour and discourage corrupt practices?

Score

1

Comments

There is evidence that incentive structures for agents are highlighted and addressed as a factor in bribery and corruption risk.

However, the company receives a score of ‘1’ because there is no evidence that it imposes a threshold on the payment of sales commissions to agents, and there is no requirement that remuneration is paid in stage payments or into local bank accounts.

Evidence

Accessed 14/04/2020
[p.30] 3.4 Appointment of third party advisers

We will only enter into business relationships with third parties who meet our high ethical standards.

Our principles

We will appoint as third party advisers (including sales agents, marketing or sales consultants, distributors and service providers) only those who are prepared to commit to compliance with our Code of Conduct and with all applicable laws and regulations.

We will:

[...]

• comply with all internal controls governing payments made to third party advisers;

Accessed 14/04/2020
[p.45] 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, gifts and hospitality, and facilitation payments. Our detailed anti-corruption procedures are incorporated within our Bribery Act Compliance Manual (“BACM”), which has been updated this year, and include requirements for:

[...]

We have also enhanced our anti-corruption policies and procedures relating to the engagement of sales partners where it is necessary to use them by mandating:

> restrictions on the number of sales partners to be engaged in each territory;

[...]

> increased reporting requirements for all payments made to third party sales partners and higher risk service providers.
<table>
<thead>
<tr>
<th>Question</th>
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</thead>
<tbody>
<tr>
<td>7.1.6 Does the company publish details of all agents currently contracted to act with and on behalf of the company?</td>
</tr>
<tr>
<td>Score</td>
</tr>
<tr>
<td>0</td>
</tr>
<tr>
<td>Comments</td>
</tr>
<tr>
<td>There is no evidence that the company publishes any details of the agents currently contracted to act for or on behalf of the company.</td>
</tr>
<tr>
<td>Evidence</td>
</tr>
<tr>
<td>No evidence found.</td>
</tr>
<tr>
<td>Question</td>
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<tr>
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<tr>
<td>7.1.7 Does the company publish high-level results from incident investigations and sanctions applied against agents?</td>
</tr>
</tbody>
</table>

<table>
<thead>
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<th>Score</th>
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<tr>
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<table>
<thead>
<tr>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is no evidence that the company publishes any data on ethical or bribery and corruption related investigations, incidents or the associated disciplinary actions involving agents.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Evidence</th>
</tr>
</thead>
<tbody>
<tr>
<td>No evidence found.</td>
</tr>
</tbody>
</table>
### 7.2 Joint Ventures

<table>
<thead>
<tr>
<th>Question</th>
<th>7.2.1 Does the company conduct risk-based anti-bribery and corruption due diligence when entering into and operating as part of joint ventures?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Score</td>
<td>0</td>
</tr>
<tr>
<td>Comments</td>
<td>There is no evidence that the company conducts anti-bribery and corruption due diligence on its joint ventures.</td>
</tr>
<tr>
<td>Evidence</td>
<td>No evidence found.</td>
</tr>
</tbody>
</table>
Question

7.2.2 Does the company commit to incorporating anti-bribery and corruption policies and procedures in all of its joint venture partnerships, and does it require anti-bribery and corruption clauses in its contracts with joint venture partners?

Score

0

Comments

Although there is some evidence that the company commits to establishing and implementing anti-bribery and corruption policies in its subsidiaries and with any third parties with whom it engages, there is no evidence that the company states that it requires anti-bribery and corruption clauses in its contracts with joint venture partners.

Evidence

Accessed 14/04/2020

[p.4] Why do we have this Code of Conduct?

This Code of Conduct sets out the standards of behaviour and business conduct we expect of all Chemring employees and third parties acting on our behalf, wherever they are located in the world. We expect these standards, underpinned by the principle of doing the right thing, to be adopted by individuals whenever they are performing their day-to-day duties as employees of Chemring or where they are representing Chemring, and for all employees to take personal responsibility for ensuring that our commitment to sound and ethical business conduct is delivered.

Who does the Code of Conduct apply to?

The Code of Conduct applies to all subsidiary companies of Chemring Group PLC and their directors, officers, managers and employees. Third party partners or advisers who act on Chemring’s behalf will also be expected to comply with the Code.

[p.28] 3.3 Anti-bribery and corruption

Chemring adopts a zero-tolerance approach to bribery and corruption.

Our principles

Bribery is a criminal offence. Paying or conspiring to pay, soliciting or accepting bribes is against the law in the UK and many other countries in which we do business.

We will not under any circumstance pay a bribe to, or accept a bribe from, any individual, incorporated or unincorporated organisation, and/or public officials in order to gain or retain any business advantage or for any other improper purpose. This applies not only to payments of cash but also the giving and receiving of other favours or benefits.

We require our employees and all third parties acting on our behalf to conduct business honestly and with integrity.

We will:
• require employees and all third parties acting on our behalf, anywhere in the world, to comply at all times with our policies and procedures which have been adopted to prevent bribery, as set out in our Bribery Act Compliance Manual; and
• speak up if we become aware of any potential or actual breach of anti-bribery laws or regulations, or our own internal bribery prevention procedures.

[p.29] We will not:
• tolerate or condone bribery or any other type of corrupt activity;
• offer, promise or give, solicit, agree to receive or demand any financial or other advantage, whether directly or indirectly, in order to induce or reward improper behaviour, where such behaviour would constitute a bribe;
• offer or make facilitation payments;
• pay a bribe or participate in any other corrupt activity, anywhere in the world, regardless of local custom and practice, for the purpose of winning or retaining business, or an advantage in the conduct of business, for Chemring.

Accessed 14/04/2020
[p.45] 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, gifts and hospitality, and facilitation payments. Our detailed anti-corruption procedures are incorporated within our Bribery Act Compliance Manual (“BACM”), which has been updated this year, and include 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;

[…]

> completion of a BACM Compliance Certificate by each business bi-annually, confirming that all policies and procedures within BACM have been complied with.
Question

7.2.3 Does the company commit to take an active role in preventing bribery and corruption in all of its joint ventures?

Score
0

Comments

There is no evidence that the company commits to take an active role in preventing bribery and corruption in all of its joint ventures.

Evidence

Accessed 14/04/2020
[p.4] Why do we have this Code of Conduct?

This Code of Conduct sets out the standards of behaviour and business conduct we expect of all Chemring employees and third parties acting on our behalf, wherever they are located in the world. We expect these standards, underpinned by the principle of doing the right thing, to be adopted by individuals whenever they are performing their day-to-day duties as employees of Chemring or where they are representing Chemring, and for all employees to take personal responsibility for ensuring that our commitment to sound and ethical business conduct is delivered.

Who does the Code of Conduct apply to?

The Code of Conduct applies to all subsidiary companies of Chemring Group PLC and their directors, officers, managers and employees. Third party partners or advisers who act on Chemring’s behalf will also be expected to comply with the Code.

Accessed 14/04/2020
[p.45] 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, gifts and hospitality, and facilitation payments. Our detailed anti-corruption procedures are incorporated within our Bribery Act Compliance Manual (“BACM”), which has been updated this year, and include 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;

[…]

> completion of a BACM Compliance Certificate by each business bi-annually, confirming that all policies and procedures within BACM have been complied with.
### 8. Offsets

<table>
<thead>
<tr>
<th>Question</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.1 Does the company explicitly address the corruption risks associated with offset contracting, and is a dedicated body, department or team responsible for oversight of the company's offset activities?</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Score</th>
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<tr>
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<table>
<thead>
<tr>
<th>Comments</th>
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</thead>
<tbody>
<tr>
<td>There is no evidence that the company addresses the corruption risks associated with offset contracting, and there is no evidence that a dedicated body, department or team is responsible for monitoring of the company's offset activities.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Evidence</th>
</tr>
</thead>
</table>
Accessed 17/07/2019  
https://www.chemring.co.uk/~media/Files/C/Chemring-V3/reports/ar2018.pdf  

Other provisions relate to the Group's offset obligations. As a result of sales transactions in certain jurisdictions, the Group may enter into contracts that have offset commitments. The offset obligation is valued based on the amounts delivered under the contract over a certain period of time. The range of possible outcomes of the offset obligations of the Group depends on the solution agreed and is between £1.6m and £8.1m. A provision of £3.0m (2017: £nil) has been recognised to cover the estimated offset obligation.
<table>
<thead>
<tr>
<th>Question</th>
<th>8.2 Does the company conduct risk-based anti-bribery and corruption due diligence on all aspects of its offset obligations, which includes an assessment of the legitimate business rationale for the investment?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Score</td>
<td>0</td>
</tr>
<tr>
<td>Comments</td>
<td>There is no evidence that the company has formal procedures in place to conduct risk-based anti-bribery and corruption due diligence on all aspects of its offset obligations.</td>
</tr>
<tr>
<td>Evidence</td>
<td>No evidence found.</td>
</tr>
<tr>
<td>Question</td>
<td></td>
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<tr>
<td>8.3 Does the company publish details of all offset agents and brokers currently contracted to act with and/or on behalf of the company?</td>
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</table>

<table>
<thead>
<tr>
<th>Score</th>
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<table>
<thead>
<tr>
<th>Comments</th>
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</thead>
<tbody>
<tr>
<td>There is no evidence that the company publishes any details of the offset agents, brokers or consultancy firms currently contracted to act with and on behalf of the company’s offset programme.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Evidence</th>
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</thead>
<tbody>
<tr>
<td>No evidence found.</td>
</tr>
<tr>
<td>Question</td>
</tr>
<tr>
<td>----------</td>
</tr>
<tr>
<td><strong>8.4  Does the company publish details about the beneficiaries of its indirect offset projects?</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
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<th>Score</th>
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<tbody>
<tr>
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</table>

<table>
<thead>
<tr>
<th>Comments</th>
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</thead>
<tbody>
<tr>
<td>There is no evidence that the company publishes any details of its offset obligations and contracts.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Evidence</th>
</tr>
</thead>
</table>
Accessed 17/07/2019  
[https://www.chemring.co.uk/~media/Files/C/Chemring-V3/reports/ar2018.pdf](https://www.chemring.co.uk/~media/Files/C/Chemring-V3/reports/ar2018.pdf)  

Other provisions relate to the Group’s offset obligations. As a result of sales transactions in certain jurisdictions, the Group may enter into contracts that have offset commitments. The offset obligation is valued based on the amounts delivered under the contract over a certain period of time. The range of possible outcomes of the offset obligations of the Group depends on the solution agreed and is between £1.6m and £8.1m. A provision of £3.0m (2017: £nil) has been recognised to cover the estimated offset obligation.
### 9. High Risk Markets

#### Question

| 9.1 Does the company have enhanced risk management procedures in place for the supply of goods or services to markets or customers in countries identified as at a high risk of corruption? |

#### Score

2

#### Comments

The company acknowledges the corruption risks associated with operating in different markets, and there is evidence that it has a risk assessment process in place to account for these specific risks, with clear risk management procedures in place. The results of risk assessments have a direct impact on business decisions and inform the development and implementation of additional controls. The company provides examples of such possible controls.

#### Evidence

<table>
<thead>
<tr>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accessed 14/04/2020</td>
</tr>
<tr>
<td><a href="https://www.chemring.co.uk/~media/Files/C/Chemring-V3/reports/annual-report-2019.pdf">https://www.chemring.co.uk/~media/Files/C/Chemring-V3/reports/annual-report-2019.pdf</a></td>
</tr>
<tr>
<td>[p.28] Risk management organisation</td>
</tr>
</tbody>
</table>

The Board is responsible for determining the nature and extent of risks it is willing to accept in delivering the Group's strategy and running the Group's operations, and ensuring that risks are effectively managed across the Group. The Board reviews the Group risk register on a regular basis, and considers whether the Risk Management Committee has appropriately identified the principal risks to which the Group is exposed.

The Audit Committee is responsible for reviewing in detail the effectiveness of the Group's systems of internal control, including financial, operational and compliance controls, and its risk management systems. The Audit Committee also reviews the effectiveness of the Group's internal audit arrangements.

The Risk Management Committee is responsible for overseeing the implementation of the Group’s risk management framework, and is also responsible for identifying the principal risks to which the Group is exposed, monitoring key mitigation plans and maintaining the Group risk register. The Risk Management Committee also reviews the business unit risk registers on a regular basis and considers input from the US Risk Management Committee which has been constituted to oversee risk within the US operations.

The current members of the Risk Management Committee are:

- Michael Ord (Group Chief Executive)
- Bill Currer (President, US)
- Sarah Ellard (Group Legal Director & Company Secretary)
- Andrew Lewis (Group Finance Director)
- Clancy Murphy (Chief People Officer)
- Mark Taylor (Group Health & Safety Director)

| [p.29] Risk management policy and framework |

The Group’s Risk Management Policy sets out the Group’s approach to risk management, including its risk appetite; the framework for assessing, managing and monitoring risk within the business; and the key roles and responsibilities for the oversight and implementation of the Group’s risk management systems and controls.

The Group’s risk management framework draws fundamentally from the “Three Lines of Defence Methodology”, with the “First Line” being day-to-day management of risk and maintenance of effective control procedures at individual businesses. The “Second Line” comprises various risk management and control functions established at the corporate management level, which are designed to enhance and monitor the First Line. The “Third Line” comprises the Group’s internal audit function, utilising an external firm of auditors, which reports directly to the Audit Committee.
Key areas of focus during the year

During the past year, we have continued to improve our risk management systems, with specific focus in the following areas:

> we have adopted a new HSE Management System Framework Standard, which sets out new high-level standards for HSE management systems across the Group and includes an HSE “Second Line of Defence” assurance process;
> as referred to above, a new Operational Framework and operational assurance process was introduced in January 2019;
> we have enhanced our anti-bribery and corruption procedures, in order to further mitigate the potential risk associated with the engagement of third party sales partners and service providers;
> we have undertaken a review of the potential impact of Brexit on the Group and developed mitigation plans;
> a new crisis management and incident management plan has been adopted; and
> we have taken steps to ensure that our internal audit programme is more aligned to the key risks on the Group risk register going forward.
Question

9.2 Does the company disclose details of all of its fully consolidated subsidiaries and non-fully consolidated holdings (associates, joint ventures and other related entities)?

Score

2

Comments

There is evidence that the company publishes a full list of its fully consolidated subsidiaries and non-f fully consolidated holdings. For each entity, the company discloses its percentage ownership, the country of incorporation and countries of operation. There is evidence that this list is current and updated on at least an annual basis. The list is accompanied by a statement that it is complete at the time of publication to the best of the company’s knowledge.

Evidence

Accessed 14/04/2020
[p.106]
Question

9.3 Does the company disclose its beneficial ownership and control structure?

Score

2

Comments

The company is publicly listed on the London Stock Exchange and therefore automatically receives a score of ‘2’.

Evidence

Accessed 14/04/2020
https://markets.ft.com/data/equities/tearsheet/summary?s=CHG:LSE
**Question**

9.4 Does the company publish a percentage breakdown of its defence sales by customer?

**Score**

2

**Comments**

The company publishes a breakdown of its defence sales by customer, in the form of the percentage of its total defence sales by customer per year. The company publishes the customers of more than 80% of its defence sales.

**Evidence**

Accessed 14/04/2020

[p.2] **Where we operate**

<table>
<thead>
<tr>
<th>Location</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>55%</td>
</tr>
<tr>
<td>UK</td>
<td>27%</td>
</tr>
<tr>
<td>Europe</td>
<td>9%</td>
</tr>
<tr>
<td>Asia Pacific and ROW</td>
<td>9%</td>
</tr>
</tbody>
</table>

The US maintains the largest defence budget in the world and remains our core market. Our exposure to key long-term US programmes, particularly in the Sensors & Information segment but also in Countermeasures & Energetics, enables us to take advantage of growing budgets.

In the UK, we are seeing growing customer demand for our cyber and information security solutions in national security, defence and to an increasing extent commercial sectors.

In Europe, our Norwegian business has achieved record order intake delivered through long-term supply agreements and efforts to enhance capacity.

Steady year-on-year growth in key regional markets as defence spending increases in response to increased threats and our Australian business enables us to maintain, support and evolve next-generation capabilities for the Australian military.

[p.86] **Contractual arrangements**

The Group contracts with a wide range of customers, comprising governments, armed forces, prime contractors and OEMs across the globe. The US Department of Defense is the largest single customer, and procures the Group’s products under a significant number of separate contracts placed with individual Group businesses. The Group’s businesses utilise many suppliers across the world, and arrangements are in place to ensure that businesses are not totally reliant on single suppliers for key raw materials or components.

[p.96] **Information on major customers**

Included in segmental revenues for continuing operations are revenues of £137.9m (2018: £92.4m), which arose from sales to the Group’s largest customer. The largest customer had sales reported in all of the Group’s business segments. This was the only individual customer where direct sales accounted for more than 10% of Group revenue from continuing and discontinued operations for the year.
10. State-Owned Enterprises (SOEs)

<table>
<thead>
<tr>
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<tr>
<td>10.1 Does the SOE publish a breakdown of its shareholder voting rights?</td>
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<td>10.2 Are the SOE’s commercial and public policy objectives publicly available?</td>
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<tr>
<td>10.3 Is the SOE open and transparent about the composition of its board and its nomination and appointment process?</td>
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<th>Question</th>
<th>10.4  Is the SOE’s audit committee composed of a majority of independent directors?</th>
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<td>10.5 Does the SOE have a system in place to assure itself that asset transactions follow a transparent process to ensure they accord to market value?</td>
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