



# Growing momentum and ambition

Chemring Group PLC  
Annual report and accounts 2024



**Chemring** |  
Innovating to protect



## STRATEGIC ROADMAP

### OUR PURPOSE

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

### OUR VISION

To be our customers' preferred supplier operating in niche markets with high barriers to entry and where we enjoy sole source or market-leading positions.

### OUR STRATEGIC IMPERATIVES

GROW

ACCELERATE

PROTECT

> READ MORE ON PAGES 20 TO 23

### OUR AMBITION

To increase annual revenue to c.£1bn by 2030

### OUR ESG PILLARS

HEALTH  
AND SAFETY  
ENVIRONMENT

PEOPLE  
ETHICS AND  
BUSINESS CONDUCT

> READ MORE ON PAGES 42 TO 67

### OUR VALUES

SAFETY

EXCELLENCE

INNOVATION



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## 2024 PERFORMANCE

## FINANCIAL HIGHLIGHTS

## REVENUE

**£510.4m**

(+8%) (+9.5% at constant currency\*)

Increase in revenue driven by strong performance at Roke and growth in niche Energetics businesses.

## UNDERLYING OPERATING PROFIT\*

**£71.1m**

(+2.7%) (+3.6% at constant currency\*)

Reflects the strong operational delivery at Roke together with strong operational execution across our Energetics businesses.

## UNDERLYING DILUTED EARNINGS PER SHARE\*

**19.3p**

(2023: 20.0p)

Decrease reflects the higher effective tax rate and finance costs in the year.

## STATUTORY OPERATING PROFIT

**£58.1m**

(+28.0%) (+29.4% at constant currency\*)

The difference to underlying operating profit reflects the non-underlying items which are detailed in note 3.

## UNDERLYING CASH CONVERSION\*

**102%**

(2023: 90%)

Continued strong cash conversion, with an average of 101% on a rolling 36-month basis (2023: 101%), driven by a continued focus on working capital disciplines.

## ORDER INTAKE

**£673m**

(2023: £756m)

Decrease in order intake represents the impact of multi-year orders received in the prior year.

## OUTLOOK

The record order book supports a strong medium-term outlook across the majority of our businesses. The expansion in our Energetics businesses is expected to come online in 2026 and 2027, resulting in strong earnings growth. We will continue to balance short-term performance with longer-term growth.

## ORDER BOOK

## GROUP

**£1,038m**



## SENSORS &amp; INFORMATION

**£105m**



> READ MORE ON PAGES 34 TO 37

## COUNTERMEASURES &amp; ENERGETICS

**£933m**



> READ MORE ON PAGES 30 TO 33

## KEY ACHIEVEMENTS

- 2024 was in line with the Board's initial expectations despite H1 headwinds
  - > Revenue growth of 8%, driven by strong performance at Roke, up 17%, and growth in our specialist Energetic materials businesses, up 12%, offset by a weaker year for Countermeasures
  - > Underlying operating profit margin of 13.9% (2023: 14.6%) primarily reflecting the impact of operational challenges at our Tennessee countermeasures business in the year
  - > Improved cash conversion of 102% (2023: 90%) with continued focus on working capital
- A record order book of £1,038m, the highest in Chemring's history, providing excellent medium-term revenue coverage
- Awarded c.£90m of grant funding to support capex investment to increase the capacity of our Norwegian site, amid unprecedented levels of demand for its products
- Strategy to increase overall investment in our Energetics capacity expansion plan from £120m to £200m, excluding grant funding
- Good progress made on capital projects to date, with c.£70m of capex spent in total during the year, and customers increasingly moving to long-term partnering agreements
- Net debt was £52.8m (2023: £14.4m), given c.£70m investment in capex and a further £28.1m on the share buyback. Net debt to underlying EBITDA of 0.56 times (2023: 0.16 times) below internal target of <1.5 times
- Proposed final dividend per share of 5.2p, up 13%, giving a total dividend of 7.8p (2.5 times cover)
- The Board's expectations for 2025 are unchanged, with a similar H2 weighting. Approximately 77% (2023: 79%) of expected 2025 revenue is already covered by the order book, with unprecedented cover in Countermeasures & Energetics for 2026 and 2027 at 81% and 52% respectively

\* References to underlying operating profit and earnings per share throughout this strategic report are to underlying measures from continuing operations; see note 3 for a reconciliation to the statutory profit after tax from both continuing and discontinued operations of £39.5m (2023: £5.4m). For references to constant currency equivalents of reported numbers please refer to page 68 for further explanation and for calculation of underlying cash conversion please refer to page 27.





## WHAT WE DO

# We work with our customers globally to help protect their people, assets and nations

We are a specialist manufacturing and technology business creating market-leading innovative solutions to meet our customers' complex needs.

Using our extensive science and engineering expertise, we turn ideas into reality, designing and developing critical solutions that protect and safeguard in unpredictable environments in today's increasingly unstable world.

We achieve this by innovating at every stage of the value chain, from research and development ("R&D") through to design, manufacture and in-service support, working closely with our customers to deliver products, services and solutions for mission-critical success.

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

## OUR CORE CAPABILITIES ARE:

### OPERATIONAL MISSION SUPPORT SERVICES

- Access and operational cyber capabilities
- Technology insertion to accelerate mission outcomes

### ACTIVE CYBER DEFENCE

- Deep knowledge in sensors, communications, cyber and AI
- Trusted supplier to UK Government and the world's largest companies

### OPEN-SOURCE INTELLIGENCE

- Blending human expertise and machine learning for faster and more informed decision making
- UK leaders in open-source intelligence technologies for geospatial applications

### LAND ELECTRONIC WARFARE ("EW") SYSTEMS

- Leading provider of Cyber and Electromagnetic Activities ("CEMA") technology
- 800+ engineers and scientists delivering information advantage to clients

### SENSORS

- Broad range of IP for bio-security, including bio-surveillance and point-of-care diagnostics
- Expertise and know-how across the complete lifecycle – from product design to development and production

### AIR AND NAVAL COUNTERMEASURES

- Global leader in countermeasures with >65% market share
- We supply 85% of NATO air fleets and 60% of NATO naval fleets

### SPECIALITY MATERIALS

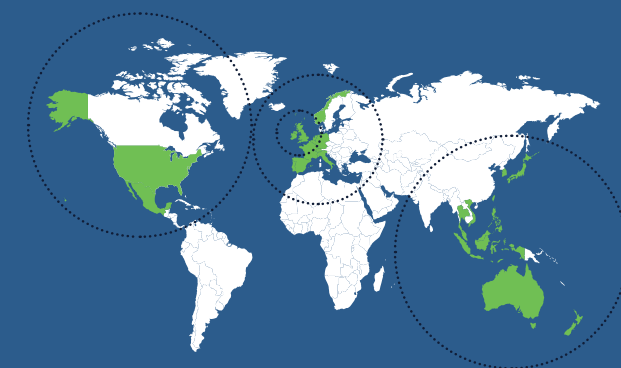
- World-leading producer of specialised energetic materials
- Expertise in propellants for a broad range of aerospace and defence applications

### PRECISION ENGINEERED DEVICES

- We are a key supplier to NASA, SpaceX and Martin-Baker
- We had over 230 parts on the Mars Perseverance mission

## WHERE WE OPERATE

We provide technology solutions for defence, national security and commercial markets across the world from our home markets of the UK, the US, Australia and Norway. The percentages show the share of sales for each destination in the year ended 31 October 2024. We are a NATO supplier, contributing to the alliance's collective defence and security goals.



### UK

# 45%

In the UK we are well positioned to benefit from the increased demand for propellants, intelligence and cyber-security solutions driven by the continued ongoing conflict in Ukraine.

### US

# 34%

Positive trends in the US are complemented by the growing demand for our capabilities in other regions, especially in the missile and space domains. Our portfolio of products and services in these areas is well aligned with the needs of our customers, who seek to enhance their defence and security positions with technology-enabled solutions.

### EUROPE

# 17%

In Europe, the continued instability from the ongoing Ukraine conflict is driving unprecedented levels of long-term demand in the speciality energetic materials market for our Norwegian business.

We continue to leverage our strong position in the European market, where we collaborate with our partners on key programmes for NATO.

### ASIA PACIFIC

# 4%

Regional instabilities, capability upgrades and technology advancements are driving increased spend in the Asia Pacific region. Our Australian business positions us to contribute towards meeting the defence requirements of Australia and other countries in the region.





## OUR TWO SECTORS:

UK MOD © Crown copyright 2023



### COUNTERMEASURES & ENERGETICS

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

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

Our niche, world-class Energetics portfolio produces high-reliability, single-use devices that perform critical functions for the space, aerospace, defence and industrial markets. We also manufacture specialist materials including propellant and energetic materials that are used in a wide variety of applications in the defence and civil markets.

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

#### REVENUE

**£298.4m**

(2023: £285.6m)

#### UNDERLYING OPERATING PROFIT

**£46.5m**

(2023: £50.5m)



### SENSORS & INFORMATION

Innovation is core to solving our clients' difficult problems.

With over 1,000 scientists, engineers and consultants, our Sensors & Information sector continues to invest in technologies that safeguard and protect in an uncertain world.

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

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

Our Roke business draws on a 60-year heritage of innovation in sensors, communications, active cyber defence, electronic warfare, software engineering, data science, artificial intelligence and open-source intelligence to innovate and apply these technologies in new ways.

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

#### REVENUE

**£212.0m**

(2023: £187.0m)

#### UNDERLYING OPERATING PROFIT

**£41.4m**

(2023: £34.2m)





## SUSTAINABILITY OVERVIEW

# Continuing our commitment to a sustainable future

At Chemring, we recognise our shared duty to contribute toward a sustainable tomorrow. As a global organisation it is our responsibility to protect our planet and people, meet our customers' essential requirements, and make valuable contributions to the communities where we do business.



> DISCOVER MORE ABOUT SUSTAINABILITY  
AT [CHEMRING.COM/SUSTAINABILITY/  
COMMITTED-TO-A-SUSTAINABLE-FUTURE](https://chemring.com/sustainability/committed-to-a-sustainable-future)

Enhancing our sustainability practices is crucial in both current operations and future planning, as we handle our environmental, social, and governance ("ESG") risks. Our leadership teams' compensation and incentives are directly linked to our sustainability objectives.

We acknowledge that our commitment to ESG objectives plays a crucial role in attracting and retaining top-tier talent. Having dedicated, driven, capable, and well-trained colleagues is essential to our continued success and to constructing a sustainable organisation that ensures the pride of all our stakeholders.

## PURPOSE

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

## VISION

To be our customers' preferred supplier operating in niche markets with high barriers to entry and where we enjoy sole source or market-leading positions.

## APPROACH

Our long-term success is improved by productive engagement with all stakeholders. Therefore, we value a proactive and positive approach to interactions. We actively look for and monitor the latest trends and seek stakeholder input.

## MAKING THE WORLD A SAFER PLACE



### HEALTH AND SAFETY

#### FOCUS

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

#### ESG HIGHLIGHTS

- Total recordable injury frequency rate decreased slightly to 0.69 (2023: 0.90) which is an improvement on 2023 and still below our annual limit of 1.0
- In FY24 the process safety event ("PSE") rate was 2.09 (2023: 2.87). This represents 66 fewer PSEs in FY24
- Zero injuries in connection with or arising from energetic events

> READ MORE ON PAGES 46 TO 47



### PEOPLE

#### FOCUS

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

#### ESG HIGHLIGHTS

- Employee engagement remains a high priority with a weighted average positivity score up at 72% in FY24
- Board diversity has remained at 44%/56% female to male gender split (2023: 44%/56%)

> READ MORE ON PAGES 61 TO 65



## PROGRESS IN 2024

Chemring's purpose is to help make the world a safer place. The escalation of tensions around the world have reinstated the vital role that the defence and security industry plays in supporting peace, democracy and freedom in the western world. We believe that global stability is crucial for sustainable development, and we are proud of the contribution that Chemring makes. We are also committed to advancing our own sustainability agenda, and in particular our ESG-related risks.

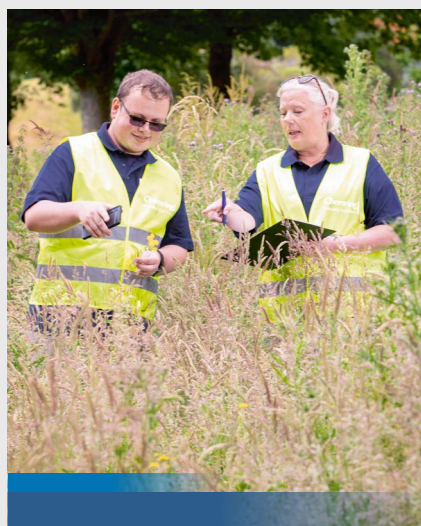
> **READ MORE ON PAGES 42 TO 65**

## MSCI ESG RATINGS



CCC	B	BB	BBB	A	AA	AAA
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Chemring Group PLC continues to maintain an MSCI ESG Rating of AAA\*



### ENVIRONMENT

#### FOCUS

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

#### ESG HIGHLIGHTS

- Market-based scope 1 and scope 2 GHG emissions reduced by 13.0% (2023: 9.1%) on higher revenue
- Market-based scope 1 and scope 2 emissions reduced by 18.0% (2023: 16.4%) per £m of revenue

> **READ MORE ON PAGES 48 TO 51**



### ETHICS AND BUSINESS CONDUCT

#### FOCUS

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

#### ESG HIGHLIGHTS

- Completion of training in the Chemring Compliance Portal over 98% (2023: 88%)
- Updated Code of Conduct and Supplier Code of Conduct issued in November 2024

> **READ MORE ON PAGES 66 TO 67**

## VALUES

Our dedication to protection extends beyond our customers, direct stakeholders and communities. It impacts our environment, society and the wider community, and is supported by the values and behaviours that drive us.

### SAFETY

We place safety at the heart of everything we do

### EXCELLENCE

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

### INNOVATION

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

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## OUR PURPOSE IN ACTION

# Every day our people live and breathe our values

At the heart of our business are our core values of Safety, Excellence and Innovation.

## ILLUSTRATED SAFETY SCENARIOS

**UNSAFE CONDITION**

A workplace condition associated with our Plant, Processes and Infrastructure that is likely to cause harm.  
Hazardous material found to be leaking from storage container onto land and into drainage system and water sources.

**UNSAFE ACT**

Unsafe behaviours whilst performing a task that may cause harm.  
Hazardous material spill being incorrectly addressed by being swept onto land and into drainage system and water sources.

**NEAR MISS**

An event that has the potential to cause harm with no material outcome.  
Hazardous material spill identified and contained with approved spill kit and cleaned up correctly.

**ACCIDENT**

An unplanned, undesired event that results in injury or ill health or damage to our Plant and Infrastructure.  
Hazardous material spill uncontained and causing environmental damage to land, water and wildlife. Company penalties issued.

## SAFETY



## BRINGING HAZARDS TO LIFE FOR SAFETY

Safety is at the heart of everything we do at Chemring. Across our organisation our goal is zero harm, not as a statistical target but as a moral imperative. We call this our Journey to Zero Harm, which will be achieved by establishing a strong proactive safety culture.

Last year, we launched our Fundamental Safety Principles as part of our Journey to Zero Harm. These principles are the minimum expectations concerning people, plant, processes and organisation. They apply to everyone working for or on a Chemring controlled site, and everyone is expected to understand and apply these rules within their working environment.

## ILLUSTRATED SAFETY SCENARIOS

The core aim of the Fundamental Safety Principles is to create a culture in which people feel empowered to stop others if they feel something is unsafe. The key to this is providing safety training and engaging communications materials tailored to issues at Chemring. To do this, we have created a series of targeted safety scenarios using illustrations.

The safety scenarios are based on actual events that have occurred or have been reported to prevent incidents. The scenarios are used in posters or in situations such as training or toolbox talks. They have been created dynamically, and visually demonstrate how an unsafe condition can lead to an unsafe act, a near miss and, ultimately, an accident.

These illustrated scenarios are refreshed regularly and displayed and used across all Chemring locations to share learnings and highlight hazard hot spots.





## EXCELLENCE



### CHEMRING RECOGNISED AT THE PLC AWARDS

Earlier this year, Chemring was recognised at the annual PLC Awards in London for the second time in four years. This time, winning Tech Business of the Year, having previously won the Transformation of the Year award. This second award was a testament to our focus on continuous improvement and excellence in the technology sector.

The Tech Business of the Year award was introduced at the PLC Awards to acknowledge the emergence of tech companies driving economic growth and reshaping how people communicate, consume information, shop, socialise and work.

As the award winner, we demonstrated how we have developed and harnessed technology to produce sound commercial and financial success. We were also recognised for our focus on building shareholder value by embracing sustained, robust ESG practices, which were scrutinised as part of the nomination process.

The PLC Awards, founded in 1987, are usually held in March every year. They are open to all companies listed on the Main Market of the London Stock Exchange, colloquially known as the “plc club”.

It's fantastic that all the hard work and dedication of Chemring colleagues across the organisation has been recognised in this way.



## INNOVATION



### SQUAD GAMES – SCALING THE USE OF ROBOTS

The innovation team at Roke is exploring the future of autonomy and how to scale the use of robots.

One area the team is researching is how to operate robots at scale.

Many organisations work with one or two robots, but real operational environments in the future will need hundreds of robots working collaboratively to solve complex problems. Roke is looking at how to use a combination of different robots, which we call a squad, to solve a greater problem.

They consider scale in terms of numbers, autonomy, co-operation and system complexity. They face the challenge of integrating different robot types, managing their readiness, and reducing the cost of manufacture and repair. The team proposes using cheaper, commoditised robots that can be reconfigured for different roles and deployed intelligently. They also aim to automate some simple tasks, such as charging, to reduce the required human management.

The question of autonomy and how to balance human control and robot interaction are also addressed. We want robots to do things on their own and interact with humans. But it's the human that still makes the key decisions.

This is a huge avenue of growth, and the team has been doing things that no one has done before with this research. The advancement of robotics demands collective effort, and Roke is actively inviting other researchers and policymakers to join in this stage of robotic operations and development.





## CHAIRMAN'S STATEMENT

# Delivering continued progress



**Tony Wood**  
Chairman

**“This has been another year of solid performance across the Group. Growing demand for both our technology-driven solutions and the resurgent demand for traditional defence capabilities have resulted in an order book at year end that is the highest in the Group’s history. As we adapt to an increasingly volatile and unstable world, the critical role that Chemring plays in support of our customers has never been more important and I am delighted to have taken over the Chair at such an exciting time for the Group.”**

## INTRODUCTION

I joined the Board with effect from 1 October 2024 and became Chairman of the Board on 1 December 2024. As such the financial year under review was before I took on the role of Chairman. I am delighted to have joined Chemring, succeeding Carl-Peter Forster as Chairman, and I look forward to working with the Board, Michael Ord and the leadership team to support the next exciting stage in the Company’s development. In solving critical problems to help make the world a safer and better place, Chemring has a clear purpose. Together with its strong culture and innovative products and services it is clearly well placed for future growth.

Over the past few months I have taken the opportunity to visit a number of our manufacturing operations across the UK and Norway. I have been encouraged by the Group’s diverse offerings, the strength of its market positions, and the quality and investment being made in many of our facilities.

But most of all, I have been impressed by the calibre of our people and the depth of technical capability within our workforce. Underpinning the passion and commitment that I have seen is a strong culture of safety with a collective focus on protecting our people, our customers and the communities in which we operate. Safety underpins all that we do and must remain our first priority. As a Board we will continue to drive further investment and improvement in this area, reducing the risk of harm to our people and automating our processes wherever possible.

Our commitment to zero harm must be matched by a relentless focus on delivery, ensuring that we meet our customers’ expectations, delivering high-quality products and services on time and in full, whilst simultaneously anticipating and investing in their future needs. Optimising the significant commercial opportunities presented by such a strong market outlook will require ongoing investment in both capability and capacity. In order to drive further improvements in quality and delivery we will continue to invest in both our infrastructure and people, and in doing so we will grow revenue and deliver increasing value to all our stakeholders.

The past year has seen continued conflict and geopolitical tension in many regions of the world, all of which has once again reinforced the crucial role the defence and security industry plays in maintaining peace and global stability. Defence budgets continue to grow and this has created significant opportunities for the Group as our customers look to restore and enhance their defence and national security capabilities. Increasing demand for our technology-driven solutions, and a resurgent demand for more traditional defence capabilities, resulted in strong order intake and an order book at year end that was the highest in the Group’s history. None of this would be possible without the commitment and dedication of our people and on behalf of the Board, I wish to acknowledge and thank them for their professionalism and support.

Looking ahead, the global defence market’s future appears increasingly robust, with expectations for strong and sustained growth over at least the next decade. Visibility of future earnings is underpinned by the urgent need for governments to invest in the defence industrial base, security and innovation to meet the astonishing rate of change that we are seeing in today’s conflicts. This visibility, together with the support of grant

funding and our customers’ desire to move to long-term partnering agreements, gives us the confidence to invest further in capacity and capability, reinforcing Chemring’s position as a key supplier to NATO, and positioning the Group well for the future.

## STRATEGY

Chemring is a technology-differentiated Group operating in niche markets with high barriers to entry. We have a clear and relevant strategy for achieving our growth ambitions which is based on three essential strategic imperatives – grow, accelerate and protect.

First, we will drive organic growth by investing in our people, in technology and in increasing capacity. Next, we will inorganically accelerate that growth by seeking to make acquisitions in expanding, high-priority defence and national security markets such as cyber, information advantage and US space and missiles. For these market areas we have a live pipeline of technology and capability targets which we are actively evaluating against our robust acquisition criteria. Finally, we will continue to invest to protect and strengthen our sole source and market-leading positions through increased modernisation, automation and new product development. This strategy is fully aligned to the significant growth opportunities that we are seeing in the market and underpins our value proposition.

Our Countermeasures & Energetics sector strategy is operationally driven. Set against the background of Russia’s invasion of Ukraine in February 2022 and the broader deteriorated geopolitical environment, we are seeing unparalleled demand for our specialist capabilities in energetics. As a Board we have approved investment to expand our manufacturing capacities in Norway, the US and the UK to respond to our customers’ elevated and urgent requirements, facilitated by grant funding. In Countermeasures, where we expect robust but steady demand for our air and naval countermeasures over the next five years, even in the absence of force deployment, we will continue to advance modernisation and automation across our facilities. Additionally, we promote technology sharing and enhanced manufacturing excellence throughout the Group whenever possible.

### > READ MORE ON PAGES 30 TO 33

The Sensors & Information sector is an area of major strategic focus for the Group. Our capabilities are highly relevant to customer investment priorities as they address a growing and diversifying threat. We will continue to grow our advanced product and service offerings in sensors, electronic warfare, cyber and AI, where our customer intimacy, mission understanding and integration capabilities position us well to deliver superior value to our defence, national security and other customers.

### > READ MORE ON PAGES 34 TO 37

Chemring is committed to building a strong and sustainable company. Going forward we will continue to focus on developing our people and infrastructure to deliver future growth. We are committed to a rigorous focus on safety and environmental sustainability and to further enhancing our strong track record in operational performance and execution. Our vision for the future is to be our customers’ preferred supplier, operating in niche markets with high barriers to entry and where we enjoy sole source or market-leading positions.





## HEALTH, SAFETY AND THE ENVIRONMENT

At Chemring our goal is zero harm. This goes beyond the management of safety and recognises that we have a duty to ensure that we take appropriate actions to minimise the impact of our operations on many different levels, from employee health, safety and wellbeing to climate change.

The Board recognises that the highest levels of safety are required to protect employees, product users and the general public. The Board believes that all incidents and injuries are preventable, and that all employees have the right to expect to return home safely at the end of every working day. Safety therefore remains one of the core values within Chemring and is central to our operating philosophy. A key part of our health, safety and environmental ("HSE") strategy is the collation and analysis of data at every level to focus on the underlying causes of incidents and the impact on our operations. This facilitates appropriate decision making at all levels of our organisation.

Whilst consolidating in a calculative safety culture, we have continued with the deployment of our Asset Integrity Management Maintenance Systems and have commenced our assurance activity regarding our Electrostatic Discharge Protocols. During 2024 we continued our focus on the "people" element of our strategy by assuring the deployment of the Fundamental Safety Principles with significant focus on every employee's duty to Stop, Warn, Inform, Manage. These themes will remain our priority throughout 2025.

In addition, we introduced a new environmental data platform in 2024, to better assess the environmental impacts of our operations and performance against the targets that were set in 2022 in order to support our wider ESG commitment. Improving our sustainability performance plays a key role in the way we both run our businesses today and plan for the future. Further details on this can be found in the sustainability section of this report.

**> READ MORE ON PAGES 46 TO 51**

## PEOPLE AND OUR COMMUNITY

Our people are our most valuable resource, and it's through their expertise and commitment that we can continue to fulfil our commitments to our communities, customers and end users. By investing in our workforce, we're cultivating the talent necessary to achieve our strategic goals and further grow our Company.

Central to our ethos regarding our workforce is promoting a values-based culture where every employee can prosper. Our goal is to enable a workplace where everyone can excel, fostered by engaging interactions, clear expectations and exceptional leadership at every level. Our core values of Safety, Excellence and Innovation are not just words but integral to our strategy, and form the foundation of our workplace culture, guiding our every action and decision.

Our steadfast dedication to diversity, equity and inclusion ("DE&I") is a cornerstone of our efforts. We are committed to enhancing our Company's diversity and creating an inclusive space for all team members. A shared objective within our Group is to increase the gender ratio in senior management roles to at least 33% female and 67% male by 2027, and as of 2024 our split was 31% female to 69% male. I'm proud to chair a board which leads by example, with a gender split of 44% female to 56% male, a testament to our commitment to DE&I.

True inclusion demands hearing from every member of our workforce. Beyond regular methods like our local engagement and listening tools and active local Employee Resource Groups, the Board engages directly with employees. Laurie Bowen, Non-Executive Director and Remuneration Committee Chair, is tasked with employee engagement for the Board. For the fourth consecutive year, Laurie has connected with team members across the Company, focusing on segments experiencing change and transformation. Visiting Roke, Chemring Energetic Devices in Chicago, Chemring Countermeasures in Philadelphia and Chemring Countermeasures in Salisbury, she explored the headwinds and tailwinds associated with organisational change and was encouraged to hear of how the ambitious vision for our companies is being translated into our colleagues' day-to-day experiences. These encounters provided invaluable perspectives for the leadership teams and Board to consider and act upon.

**> READ MORE ON PAGES 61 TO 65**

## GOVERNANCE AND ETHICS

In recent years significant effort has been placed on strengthening the governance and ethics across the Group, ensuring that we have the necessary policies and procedures in place to enable the business to operate with integrity and transparency, and to the highest ethical standards.

Chemring remains committed to conducting its business in an ethical and responsible manner at all times, and in full compliance with all applicable laws and regulations. We will continue to strengthen our policies and procedures to ensure that the Group's governance remains fit for purpose. The bedrock of our governance is our Code of Conduct and our Operational Framework, both of which bind our purpose, values, behaviour, policies and procedures, and provide the necessary governance to enable us to operate in a safe, consistent and

accountable way. Our ESG Committee, which meets regularly throughout the year and is chaired by the Chief Executive, is responsible for the oversight and monitoring of Chemring's governance framework and ethical business conduct and compliance. Further details on the Committee's activities during the year can be found on page 90 of this report.

Good governance and ethical behaviour underpin our evolving sustainability agenda and ensure that we operate safely, responsibly and in compliance with applicable legislation in all of the jurisdictions in which we operate.

## DIVIDENDS

The Board continues to recognise that dividends are an important component of total shareholder returns. The Board's objective is for a growing and sustainable dividend and has met the target dividend cover of c.2.5 times underlying EPS, subject inter alia to maintaining a strong financial position.

The Board is recommending a final dividend in respect of the year ended 31 October 2024 of 5.2p (2023: 4.6p) per ordinary share. With the interim dividend of 2.6p per share (2023: 2.3p), this results in a total dividend of 7.8p (2023: 6.9p) per share, an increase of 13% on the prior year. If approved, the final dividend will be paid on 11 April 2025 to shareholders on the register on 21 March 2025.

## SHARE BUYBACK PROGRAMME

On 1 August 2023 the Group announced that it had commenced a share buyback programme of up to £50m. The sole purpose of the buyback programme was to reduce the Company's share capital and the ordinary shares purchased under the programme were cancelled. Originally intended to end on 31 July 2024, the programme was subsequently extended to 17 December 2024. Since its inception the buyback programme has returned £37m to shareholders. The Board believe that the £13m remaining under the programme can be better deployed in support of ongoing operations and has therefore decided that the programme will not be renewed. The current buyback programme will therefore lapse on 17 December 2024.

## BOARD OF DIRECTORS

Carl-Peter Forster retired as a director of Chemring on 30 November 2024, having been appointed Chairman on 1 July 2016. During Carl-Peter's tenure the Group has transitioned through a period of significant transformation, both operationally and financially, building a stronger, higher-quality business. The investments made in both culture and infrastructure during this time have positioned the Group well for future growth, and he deserves the Group's gratitude for his leadership and commitment over the past eight and a half years.

I joined the Board on 1 October 2024 as an independent non-executive director and Chairman-designate, and succeeded Carl-Peter Forster as Chairman on 1 December 2024.

James Mortensen joined the Group on 1 November 2023 and, following a handover period and the publication of the Group's results for the year ended 31 October 2023, took up his role as Chief Financial Officer on 1 January 2024. At this point Andrew Lewis stood down from the Board, and he left Chemring on 19 January 2024. James previously held various senior roles at Smiths Group PLC, the FTSE 100 diversified engineering business, including having been Chief Financial Officer of the Smiths Medical division.

## CURRENT TRADING AND OUTLOOK

Trading since the start of the current financial year is running to plan. The Board's expectations for the Group's 2025 performance remains in line with market expectations, with a similar weighting towards the second half. The Group order book as at 31 October 2024 was £1,038m, of which £413m is currently expected to be recognised as revenue in 2025, giving 77% order cover, which provides excellent visibility for the full year. This leaves £625m of the order book to be delivered in 2026 and beyond, which provides approximately 81% of 2026 and 52% of 2027 expected revenue cover in Countermeasures & Energetics.

The Group's longer-term growth prospects are strong, underpinned by robust activity levels, our leading technological offerings, the calibre of our people, high barriers to entry, and the investments we continue to make in our strong, high-quality business. With customers ready to re-equip and modernise their defence capabilities providing increased visibility, and with a robust strategy, the Group maintains its ambition to increase its annual revenue to c.£1bn by 2030.

The Board is therefore confident that Chemring will continue to deliver both robust organic and inorganic growth, balancing near-term performance with longer-term growth and value creation.

**Tony Wood**  
Chairman  
17 December 2024



## INVESTMENT CASE

# Investing in sustainable performance and growth

Chemring delivers profitable growth by operating in markets where we have differentiators, such as intellectual property, niche technology and high barriers to entry.

We continually review our portfolio to ensure that we maintain sustainable niche positions where technical and qualification barriers to entry enable high margins. These, along with strong and enduring customer relationships, provide us with a strong platform for future growth. We will achieve our growth by total commitment to our enduring purpose, which is to relentlessly innovate to protect our customers.



**STRONG BUSINESS MODEL – WELL POSITIONED IN NICHE, HIGH-MARGIN AND GROWING MARKETS**

Against the background of growing defence budgets, particularly in the US and Europe, Chemring is well positioned in niche segments of the defence, national security and space markets which, over time, have the opportunity to outperform their broader sectors.

We enjoy sole source or market-leading positions across our diversified portfolio placing us at the heart of our customers' critical needs. These include advanced sensors, intelligence, electronic warfare and software engineering, as well as airborne and naval countermeasures.

We are also well placed to benefit from resurgent demand for more traditional defence capabilities, including in the space and missiles markets where we are a key supplier of energetic materials and mission-critical specialist devices.



**VISIBILITY OF FUTURE EARNINGS – STRUCTURAL GROWTH UNDERPINNED BY THE NEED FOR INVESTMENT IN THE DEFENCE INDUSTRIAL BASE, SECURITY AND INNOVATION**

Increasing geopolitical tension around the world is driving a fundamental replenishment and rearmament upcycle which is expected to last for at least the next decade. This has driven the Group's order book to the highest level in its history (£1.04bn as at 31 October 2024) which extends out beyond 2030.

This visibility, together with the support of grant funding and our customers' desire to move to long-term partnering agreements, gives us the confidence to invest further in capacity and capability, reinforcing Chemring's position as a key supplier to NATO, and positioning the Group well for the future.

We now have the ambition to increase annual revenue to c.£1bn by 2030.



**STRONG GROWTH IN ROKE'S NATIONAL SECURITY AND DEFENCE MARKETS HAS SEEN IT DOUBLE IN SIZE OVER THE PAST FIVE YEARS**

Roke's consulting, technology and R&D capabilities are experiencing strong growth, driven principally by ever-increasing demand for information advantage solutions in the defence and national security markets.

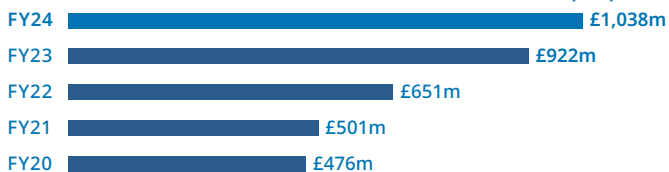
The Group's capabilities are well aligned to both the US and UK Governments' emphasis on cyber, electronic warfare ("EW"), artificial intelligence, data science, autonomy, open source intelligence ("OSINT") and secure networks. This validates our Sensors & Information sector strategy, and should increase the opportunity space for Roke to deploy its market-leading technologies.

Opportunities exist to expand and accelerate Roke's capabilities and offerings, both through acquisitions and exploiting opportunities in adjacent markets and territories.

Roke has delivered double-digit revenue growth in each of the past five years. Our ambition is to grow Roke's annual revenue to a minimum of £250m by 2028.



## ORDER BOOK – GROWTH OVER THE LAST FIVE YEARS (£m)



> DISCOVER MORE ABOUT INVESTING AT  
[CHEMRING.COM/INVESTORS](https://chemring.com/investors)



## MEDIUM-TERM FINANCIAL OBJECTIVES THAT BALANCE NEAR-TERM PERFORMANCE WITH LONGER-TERM GROWTH AND VALUE CREATION

The Group has communicated certain medium-term financial objectives, which have been rolled forward at each set of results.

- **Targeting mid-single-digit revenue growth in the near term,** accelerating to low-double-digit growth as new capacity comes online. £1bn annual revenue ambition by 2030.
- **Targeting mid-teen return on sales in the medium term.** Margins have progressed from 10.4% in FY18 to 13.9% in FY24.
- **Improving cash flow.** Across the last three years, underlying operating cash conversion has been 101% of underlying EBITDA, demonstrating the improvement in business practices is permanent and sustainable.
- **Targeting <1.5x leverage.** Net debt is expected to remain elevated over the next three years as the £200m investment in increased Energetics capacity is completed, but will then decrease rapidly once the additional capacity comes online.

Chemring is focused on building a financially sustainable and robust Group. These actions provide strong foundations for future growth.



## BALANCE SHEET STRENGTH – ENABLING THE GROUP TO TAKE ADVANTAGE OF SIGNIFICANT ORGANIC AND INORGANIC OPPORTUNITIES

Chemring has a robust balance sheet and strong ongoing operating cash generation, providing a platform for future investment in the business, both organic and inorganic, and sustainable, growing dividend payments. This has been supplemented further by securing an £80m Export Finance backed loan in the year, bringing total accessible funding to £246m.

Capital investment of >£200m over the previous five years has enabled the Group to increase automation, enhance safety and drive margin improvement.

Strong market demand has presented a significant opportunity to expand capacity and capitalise on increased long-term demand across the three Energetics businesses. A three-year £200m investment programme, subsidised by £90m of grant funding, will increase revenue by £100m p.a. and operating profit by £30m p.a. in 2028.

The focus on building a strong and deployable balance sheet has provided increased optionality. Beyond organic opportunities we have a disciplined approach to M&A with a focus on incremental bolt-on acquisitions that complement existing capabilities.



## ESG – COMMITTED TO BUILDING A STRONG, INCLUSIVE AND SUSTAINABLE COMPANY

At Chemring we firmly believe that stability is at the heart of sustainability and that the defence industry has a critical role to play in making the world a safer place, now and for future generations. We have set ambitious targets to meet our ESG agenda and are improving our disclosure and performance year-on-year.

- 13.0% reduction in scope 1 and market-based scope 2 emissions from our FY21 baseline
- Board of directors now 44% female
- Senior leaders are 31% female
- AAA ESG Rating by MSCI, top 3% of the Aerospace and Defence sector





## GROUP CHIEF EXECUTIVE'S REVIEW

# Creating sustainable value and opportunity for all our stakeholders



**Michael Ord**  
Group Chief Executive

**“This has been a year of heightened activity and progress across the Group as we have reacted to growing demand for our products and services, both technology-driven solutions and a resurgent demand for traditional defence capabilities. Changing customer spending priorities in the face of increased global uncertainty and competition have resulted in the order book being at its highest level in our history, giving us a strong and sustainable platform for future growth.”**

## INTRODUCTION

I am pleased to report that 2024 has been another year of positive performance across the Group. In this, the 50th anniversary of the Group's admission to the London Stock Exchange, a number of other significant milestones have been achieved including a record closing order book of £1.04bn, the highest in Chemring's history.

The elevated levels of geopolitical tensions characterised by the continuing Russia-Ukraine war, the renewed armed conflict between Israel and Hamas-led militant groups in the Middle East, and an increasingly assertive China are driving defence and national security budget increases of differing levels. These uncertainties are also contributing to a strengthening of international alliances, with existing and new NATO members responding to the Ukraine crisis which is now in its third calendar year. Demand for Chemring's products and services has never been higher, nor has the need to ensure that we meet and exceed our customers' critical needs. The commitment and professionalism of our people this year has once again been outstanding and I thank them for their dedication and hard work throughout the year.

Geopolitical tensions continue to drive a fundamental rearmament upcycle which is expected to last for at least the next decade. This visibility, together with the support of grant funding and our customers' desire to move to long-term partnering agreements, gives us the confidence to invest further in capacity and capability, reinforcing Chemring's position as a key supplier to NATO, and positioning the Group well for the future.

## 2024 PERFORMANCE

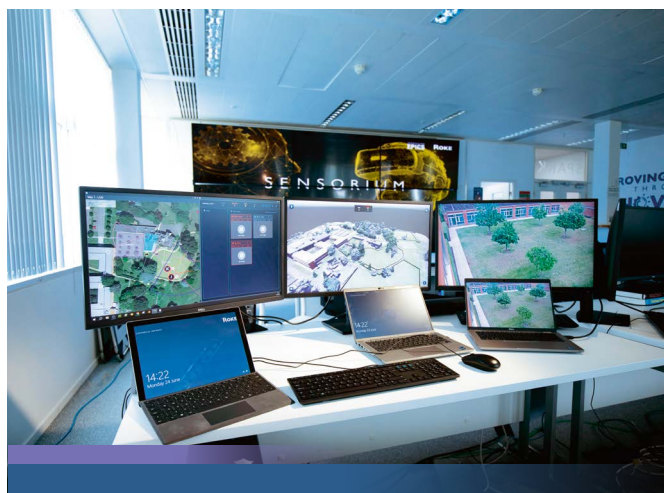
It is pleasing to report a solid set of results for the financial year despite a number of operational headwinds within our US Countermeasures business, which impacted our performance in the first half of the year. This outturn continues to demonstrate good progress against our strategic goal of balancing short-term performance with longer-term value creation.

Revenue was up 8% to £510.4m (2023: £472.6m), underlying operating profit was up 2.7% to £71.1m (2023: £69.2m) and underlying profit before tax was down 2.4% to £66.3m (2023: £67.9m). Underlying diluted earnings per share was down 3.5% to 19.3p (2023: 20.0p).

The underlying operating profit of £71.1m (2023: £69.2m) resulted in an underlying operating margin of 13.9% (2023: 14.6%). The Group margin has fallen, primarily reflecting the impact of operational challenges at our Tennessee Countermeasures business in the year, and the lower margin legacy US Government contract that impacted the year.

At a statutory level, statutory operating profit was £58.1m (2023: £45.4m) and after statutory finance expenses of £4.8m (2023: £1.3m), statutory profit before tax was £53.3m (2023: £44.1m). The statutory profit after tax from continuing operations was £42.7m (2023: £37.7m) giving a statutory basic earnings per share from continuing operations of 15.7p (2023: 13.4p).

A fundamental characteristic of the increased threat environment and of current conflicts, notably Russia's invasion of Ukraine, is how conventional wars are blending in the use of new technologies and tactics, and how agility and being able to adapt at pace are essential to defeat both established and emerging threats. Government customers are budgeting and investing accordingly, and in this multi-domain, integrated environment, Roke's capabilities in active cyber defence, EVV, sensors, intelligence, autonomy and AI are seeing strong demand, and making an important contribution to supporting vital missions.





## Revenue

+8%



In Roke's defence markets, the increasing importance of Cyber and Electromagnetic Activity ("CEMA") in today's threat environment has led to a growing number of enquiries for Roke's suite of world-leading EW products. A notable highlight during the year was further wins in the area of EW with awards received from customers in Sweden, Lithuania, Latvia, the United Arab Emirates and Japan. The order for ten Resolve EW systems from Japan is Roke's first into the East Asia region, securing a high-quality reference customer. Roke has a significant (>£300m) five-year international sales pipeline for EW products as customers increase focus on CEMA.

Roke's expertise in the field of EW was further demonstrated in September 2024 when Roke was announced as one of four UK organisations to have been selected for research funding in the first AUKUS Innovation Challenge. The trilateral AUKUS Pillar 2 EW Challenge called for proposals to identify electromagnetic spectrum technology solutions to help give the AUKUS nations a strategic edge in targeting and to provide protection against adversarial electromagnetic-targeting capabilities.

During the year Roke also received a £10m increase to the Project ZODIAC MVP award received in September 2023. ZODIAC is the backbone of the British Army's Land ISTAR Programme which will deliver an integrated ISTAR system to transform how the Army undertakes data-led decision making to gain operational advantage. In total, Roke's ZODIAC programme contract awards now stand at £51m with the programme currently completing in FY25. Future phases of Zodiac could be in excess of £100m, presenting a significant opportunity to Roke as the incumbent supplier.

Roke has continued to cement its position as a key strategic partner to the UK's national security agencies, further enhancing this key high barrier to entry value stream. Despite Government spending headwinds multiple awards, valued at c.£50m, were received from the national security community.

Roke's new Intelligence business area has made good progress in building a position in the fast growing, embryonic, opportunity-rich open source intelligence ("OSINT") market. Roke's unique approach to this market integrates human expertise and intelligence tradecraft with cutting-edge technology including AI and machine learning. Roke's capabilities and technologies are combining to create a highly differentiated intelligence offering, and while the initial domain focus is on geospatial intelligence ("GEOINT") to commercial and naval clients with a requirement for maritime domain awareness, strong potential exists to cross-sell this capability to other Roke customers.

With strong positions in markets with high barriers to entry and where customers have unique profiles, we reiterate our ambition to organically grow Roke's revenues to greater than £250m per annum by 2028, while maintaining strong margin performance. We will also continue to actively explore opportunities to expand and accelerate the Sensors & Information sector capabilities and offerings, both by leveraging opportunities in adjacent markets and through further bolt-on acquisitions. However, any acquisition must meet a strict set of criteria, enhance shareholder value and fit in with our wider growth plans.

In the US, and following last year's decision to exit the Explosive Hazard Detection business, 2024 has been a transitional period for our US Sensors business as we focus on our biological detection capabilities. Deliveries under the full rate production phase of the Enhanced Maritime Biological Detection System ("EMBD") Program of Record have continued as planned. This fully automated sensor to rapidly detect, collect, sample and identify airborne biological warfare agents is supporting the US Navy. In April 2024, we received a fourth option quantity exercised under the sole source \$99m Indefinite Delivery/Indefinite Quantity contract valued at \$15m, with deliveries expected to be made in 2025.

On the Joint Biological Tactical Detection Systems ("JBTDs") program, having been awarded a Low Rate Initial Production ("LRIP") contract in September 2023, material procurement and production gathered pace throughout the year with all deliveries under this LRIP contract being made within the year. We continue to support the customer as they progress through testing and acceptance, with the expectation of a full rate production contract being awarded in FY26.

Chemring's experience and expertise in fielding biological agent detectors for its US DoD customers provide a strong platform from which to pursue opportunities in other existing and adjacent markets, such as homeland security. In a post-pandemic and contested world, governments are becoming increasingly concerned by the risks of both naturally occurring and engineered biological threats. Advances in synthetic biology now give our national adversaries the capability to deliberately engineer organisms to create hazards and cause harm. We continue to work with our customers, including the US Department of Homeland Security, to create a point-of-need capability that is able to provide rapidly adaptable, cost-effective and high-performance testing of bio-warfare and infectious disease threats.

## CAPITAL ALLOCATION POLICY

### INVEST IN THE BUSINESS

- £200m capex investment in our Energetics businesses to capitalise on unprecedented demand
- Delivering incremental revenue of £100m and operating profit of £30m per annum, full year effect from FY28
- Continual capex investment to increase automation, enhance safety and drive margin improvement

### FOCUSED M&A

- Focus on incremental bolt-on acquisitions that complement existing capabilities and accelerate growth in customer priority areas – in particular Roke and US space and missiles – while maintaining a disciplined approach to our evaluation criteria
- Disciplined approach, healthy pipeline of opportunity
- Sale of Explosive Hazard Detection business subject to CFILUS approval

### ORDINARY DIVIDENDS

- Key part of total shareholder return
- Dividend cover target of c.2.5 times underlying EPS met, and will be maintained
- Dividend growth of 13.0% in 2024

### SURPLUS CAPITAL RETURNED TO SHAREHOLDERS

- Share buyback programme has returned £37m since inception



## GROUP CHIEF EXECUTIVE'S REVIEW continued

### Creating sustainable value and opportunity for all our stakeholders continued



#### 2024 PERFORMANCE continued

In 2024 the focus for our Countermeasures & Energetics sector was to continue strengthening and protecting our niche, world-leading positions by investing in the expansion of our manufacturing capacity, continuously improving our technological and operational base, and working closely with our customers in the development of new solutions to meet emerging needs. Order intake in the year remained high at £523m (2023: £541m), driven by multi-year orders received across the sector.

The increasingly positive market conditions for our Energetics businesses, reflected in our order intake and record order book, have presented a strong organic growth opportunity to expand capacity at these sites. In June 2024 we announced the decision to increase the previously announced capital investment programme from £120m to £200m, which we expect to increase revenue by £100m per annum and operating profit by £30m per annum in 2028. In addition to this, we announced that our Norwegian business had been awarded grant funding of £90m in support of its capacity expansion projects, meaning that the net investment required by the Group will now be £110m in total.

Our Norwegian-based subsidiary, Chemring Nobel, had another year of record performance and signed a number of long-term partnering agreements with its key customers. In June 2024, a 15-year partnering agreement was signed with Northrop Grumman for the supply of HMX energetic material used in its missile programmes. As part of this agreement, Chemring Nobel also received a delivery order valued at \$83m, for the supply of HMX. Deliveries under this order will commence in 2026 and will be made over the following three years. Chemring Nobel finished the year with the highest order book in their history. In November 2024 Chemring Nobel signed a 12-year framework agreement with Diehl Defence for the supply of MCX energetic material. As part of this agreement, Chemring Nobel received an initial purchase order for the delivery of MCX, valued at €231m. Deliveries under this order will commence in 2027 and will be made over the following five years. The company is exploring options to perform the blending stage of the manufacturing process in Germany.

Our Scottish facility also received a number of notable contract awards during the year. The business also made excellent progress in the construction of its new propellants manufacturing facility. Concrete pours have been completed on most buildings with steelwork and frames also installed. This new facility will provide increased capacity and throughput in a safe and modern manufacturing environment.

In the US, we have seen growing demand for precision engineered devices for space and missile applications, with our Chicago business, Chemring Energetic Devices ("CED"), receiving a significant level of orders in the year. In January 2024, and in response to growing customer demand, CED acquired an additional 45,000 sq. ft. facility adjacent to its existing site. The new facility, which commenced operations in April 2024, significantly enhances CED's ability to maintain continuous flow manufacturing operations which is essential in delivering against customer programme requirements, and is a key enabler of its future growth ambitions.

In April, CED successfully completed qualification testing for the Blue Origin Standard Initiator and is now the sole provider for this device. This initiator will be common to all Blue Origin spacecraft including the upcoming New Glenn launch vehicle. CED closed the financial year with a record order book which is in excess of \$200m (2023: \$165m). In November 2024 CED received an order valued at \$106m for the delivery of critical components used on an undisclosed missile programme for the US DoD, further enhancing its record order book.

In Countermeasures order intake was £175m (2023: £183m). We have continued to see steady customer demand from across our portfolio, maintaining our position as the world leader in the design, development and manufacture of advanced expendable countermeasures. Notable contract awards at Chemring Countermeasures UK ("CCM UK") included a £36m order for Typhoon countermeasures, a £16m order from the UK MOD, and an £8m order from MBDA USA for a new naval infra-red decoy. This was the first US production order that CCM UK had received in over ten years, and contributed to the business having a record order book at year end. Chemring Australia also secured a \$31m contract for the supply of MJU-68/B infra-red countermeasures used on the F-35 Joint Strike Fighter.





The Countermeasures sector saw a greater weighting of its trading performance and cash generation to the second half of 2024, following the operational challenges experienced at our Tennessee Countermeasures business, Kilgore Flares, where production was disrupted due to adverse weather conditions and delays in the ramp-up of its automated facility. The underlying operating profit margin was also adversely affected by deliveries made on a legacy contract from 2016 for the supply of countermeasures to the US DoD. Having previously been expected to complete in the second half of the financial year, the customer has now exercised an option to extend the duration of this contract, which will now conclude in the first half of FY25.

The future focus of the Countermeasures & Energetics segment remains on maintaining and growing the Group's market-leading positions, in particular in the growing markets for propellants and precision engineered energetic devices, and in countermeasures where we see undiminishing demand for our air and naval decoy products, even in the absence of force deployment.

In October 2024 the Norwegian Government announced that, in partnership with Chemring Nobel, it had launched a feasibility study into the establishment of a new production facility to further increase the production of military explosives, as they view Chemring Nobel as the producer in Europe and North America that can establish increased production the fastest. This co-funded feasibility study, which is expected to be concluded in early 2025, will investigate the geographic location, infrastructure requirements and environmental considerations of building a new production facility. The study will also consider the role and the levels of any financial contribution made by the Norwegian Government.

Alongside these investments, in expanding our capacity we will continue to invest in new product development to ensure that our product portfolio remains highly relevant to our customers and will continue the process of operational alignment to share technology and manufacturing excellence across the Group.

The Group's order book at 31 October 2024 was £1.04bn (2023: £922m), of which approximately £413m is scheduled for delivery during 2025, representing cover of approximately 77% (2023: 79%) of expected 2025 revenue. On a constant currency basis, using the 2023 closing exchange rates, the order book would be £1.07bn. The increase since 31 October 2023 is attributable to strong order intake across the Countermeasures & Energetics sector.

This leaves £625m of the order book to be delivered in 2026 and beyond. At this stage, this provides approximately 81% of 2026 and 52% of 2027 expected revenue cover in Countermeasures & Energetics.

Net debt at the year end was £52.8m (2023: £14.4m), the increase since 31 October 2023 being largely driven by £28.1m share buyback, growth in dividends of £2.3m, capital investment of £69.6m offset by strong operating cash generation. Strong underlying operating cash inflow of £96.0m (2023: £80.0m) represented 102% (2023: 90%) of underlying EBITDA. Our three-year rolling average cash conversion has been 101% (2023: 101%), showing that the ongoing focus on working capital improvements is delivering long-term, sustainable, positive results.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

From an ESG perspective, 2024 has seen us make further progress as we proactively manage our sustainability agenda. Focus areas included health and safety, diversity and inclusion, reducing the impact of climate change, and employee wellbeing. As a business we are committed to building a sustainable company of which all our stakeholders can be proud, both now and in the future.

It is pleasing that our efforts have been recognised externally. In 2024 we were again given a rating of AAA by MSCI, putting us in the top 3% of the Aerospace and Defence sector.

## HEALTH AND SAFETY

Safety is our core value, with the health, safety and wellbeing of our colleagues, their families, our customers and the communities in which we operate being our priority. The successful implementation of our HSE strategy continues, as does our focus on achieving zero harm.

Our safety performance in terms of our total recordable injury frequency ("TRIF") rate was 0.69, which shows a decrease when compared to last year's 0.90 and is still below our annual limit of 1.0. Most injuries were either caused by slips, trips and falls, or were musculoskeletal in nature. From 1 November 2024 our annual limit will reduce to 0.90.

Over the last five years, we have focused on enhancing our approach to process safety to help facilitate improved design, maintenance and operations within our high hazard facilities. As a result, we continue to invest in modern processes and technology to remove our employees from exposure to energetic hazards.

In 2019 we mandated that all Countermeasures & Energetics businesses would need to conduct regular reviews to identify the potential for major process safety events. This year saw a continued iteration of that review process, with a further increase in the number of hazard scenarios being identified as the rigour of process hazard analysis matured.

As a result of this maturing process, we continue to develop an understanding of our residual risks and throughout the year have taken further steps to reduce these to a level as low as is reasonably practicable. To help reduce our residual risks the implementation of a common computerised maintenance management system continues to be rolled out across our Countermeasures & Energetics sector, improving management and accountability for safety-critical assets. In addition, our Electrostatic Discharge ("ESD") Protocol deployment has been assessed as part of the Line of Defence 2 ("LOD2") assurance programme.

It should be noted that for the second year running there have been no injuries associated with energetic events.





## GROUP CHIEF EXECUTIVE'S REVIEW *continued*

### Creating sustainable value and opportunity for all our stakeholders *continued*

#### HEALTH AND SAFETY *continued*

##### Injury reduction

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

This year we have continued to analyse the reporting data aligned to our HSE strategy, people, plant, process and organisation, which has given us a better understanding of our root causes for and the contributory causal factors to incidents which in turn has influenced our assurance activity. The data has reconfirmed trends regarding musculoskeletal injuries due to the manual handling nature of some of our processes, together with slips, trips and falls. The relevant businesses continue to manage these risks whilst considering further automation.

##### HSE risk management

Safe delivery of our business continues through the management of risk and is built around understanding our hazards and establishing clear expectations and consistency. Our HSE Management System Framework Standard puts our HSE policy into practice by setting standards on nine core elements across the Group to drive a robust and common approach to the management of HSE. Each business within the Countermeasures & Energetics sector is audited every year and the Sensors & Information sector every three years to ensure compliance, with high-priority non-compliances being reported and monitored at Executive Committee level. The changes made in 2022 to our Operational Assurance Statement process continue to help the businesses focus on compliance with the HSE Framework, which in turn provides useful insights when planning the LOD2 audits.

We measure our HSE performance to reflect both occupational and process safety. In doing so we have several data points, one of which is an external review of our prevailing safety culture. This year we invited back a team of third party experts to review our progress. The review will conclude and will be presented to the Board in the first half of 2025. I am pleased to say that as a Group of companies we achieved our 2024 ambition of demonstrating we have systems and processes that generate data-informed discussions and decision making at all levels, otherwise known as a calculative culture. 2025 will be spent consolidating, whilst understanding our road map to a proactive safety culture.

#### ENVIRONMENT

In 2024 we made further progress on our journey to becoming net zero for scope 1 and scope 2 emissions by 2035, achieving a 13.0% reduction in scope 1 and scope 2 market-based GHG emissions (2023: 9.1%). A key challenge for the Group's ESG Committee is to manage our ESG-related risks – balancing both the near and longer-term targets that were set in 2021 with the need to continually look for ways in which we can improve further.

In addition to reporting in line with the Task Force on Climate-related Financial Disclosures ("TCFD"), the Group has committed to further improve its non-mandatory disclosure and completed its third CDP submission this year. By translating the TCFD recommendations and pillars into actual disclosure questions and a standardised annual format, CDP provides investors and disclosers with a unique platform where the TCFD framework can be brought into real-world practice in a comparable and consistent way.





As our disclosure increases, so has the need to ensure that the data that we report to the market is accurate. We have now put in place an auditable framework for our emissions reduction activities, with external subject matter experts appointed to verify the data and to report to the Group's Audit Committee. In addition, this year we have introduced a new environmental data platform to better assess the environmental impacts of our operations.

We continue to share best practice from all the above through the Technical Safety Committee, Technical Learning Group and our quarterly "Shared Learning" events.

## CULTURE

At Chemring, our ambitious objectives drive our desire to invest in our people. Ensuring we have the best talent, with the appropriate skills, in the right roles is crucial for creating a safe, healthy and inclusive workplace that ensures today's performance and tomorrow's successes.

We are committed to fostering a culture rooted in our values. Our values of Safety, Excellence and Innovation guide our thinking and decision making and are integral across the entire organisation. Our "Global Voice" establishes the overall framework and standards, while our "Local Accent" ensures relevance and impact within each business unit, acknowledging the distinct cultural traits of every region we operate in.

The narrative of 2024 has been characterised by our ambition to grow, accelerate and protect, creating a stronger Chemring over the coming years. We've refined our approach to talent management, resourcing and development initiatives this year to support the evolution of our workforce for present and future needs.

We continue to embrace technology to work efficiently and collaboratively and consider our working practices with a "digital first" approach. The Aspire@Chemring programme, aimed at developing future senior leaders, graduated its second cohort of 52 colleagues across the globe. We continue to evolve our programmes like Aspire@Chemring to ensure they deliver on our participant needs, with 2024 focusing on their own bespoke individual career journeys. Additionally, utilising technology for education and online collaboration significantly decreases the environmental impact of our programmes, aligning with our commitment to lower emissions as part of our ESG initiatives.

The external talent landscape continues to evolve, with the expectations of talent joining the organisation to receive a "personalised" employee experience. This has challenged us to be ever more focused on listening and understanding what our workforce is thinking and feeling to be engaged and perform at their best.

Our employee engagement strategies heavily emphasise listening to all colleagues to better enable their success at Chemring. In 2024 we moved to local listening technologies to ensure that the "Local Accent" is prioritised, understood and actioned. In addition, employee resource groups and town hall meetings continue to offer channels for everyone to express themselves and feel heard. Feedback from all of these channels informs our business decisions and actions.

Listening is similarly central to our diversity, equity and inclusion ("DE&I") agenda. Input from employees guides improvements across all DE&I facets, including gender, ethnicity and neurodiversity, which we recognise as critical components of innovation for our products and services. I'm also proud of our involvement in and commitment to both the UK Women In Defence and the Defence Women's Network this year which signals our commitment to improving gender diversity in the Defence sector.

As we reflect on a strong 2024, our commitment remains steadfast in continuing to develop and mature the employee experience for all our colleagues in 2025 and beyond.



## CONCLUSION

I am delighted with the financial and operational progress that continues to be made across the Group as we continue to build a strong, high quality and technology-focused business.

This has been another year of solid progress across the Group. We maintain our relentless focus on living our shared values of Safety, Excellence and Innovation, and in doing so we are driving our collective purpose: delivering innovative protective technologies to help make the world a safer place. With market-leading technologies and services that are critical to our customers, our niche market positions and our strong balance sheet, I remain confident that we will continue to grow in the future.

**Michael Ord**  
Group Chief Executive  
17 December 2024





## MARKET OVERVIEW

# Changing market dynamics

Chemring is an international technology company, and we maintain a significant organisational presence across the US, the UK, Europe and Australia.

The threat environment remains increasingly complex, with heightened geopolitical tensions and risks of global conflict. Russia's invasion of Ukraine, the Israel-Hamas conflict elevating tensions in the Middle East, China's expanding military power, and the increasing asymmetric influence of Iran and the Democratic People's Republic of Korea ("North Korea") all contribute to the challenge. Against this heightened threat environment, the role of multi-lateral organisations such as the North Atlantic Treaty Organization ("NATO") and the European Union ("EU") is highly significant.

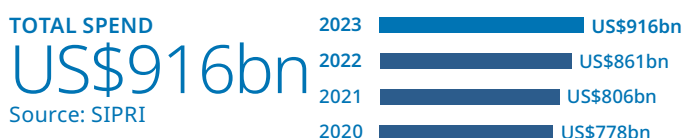
The Russia-Ukraine conflict has specifically refocused attention on the broad spectrum of defence capabilities relevant to a significant peer conflict. It has also led to a drive for

modernisation and replenishment of NATO military assets, including those provided to Ukraine. It is also becoming clear that governments across Europe are concerned about the scale of the defence industrial base and its ability to act as a strategic deterrent. This has resulted in European nations re-evaluating their defence budgets and strategies to ensure they are prepared for these contemporary security issues.

China's ambitious defence modernisation programme is generating requirements for increasingly cutting-edge solutions to protect against a broad spectrum of threat. This is not only in the traditional domains of land, sea and air but also in space, and increasingly cyberspace.

The Group's diverse and specialised capabilities position it well to assist our customers in addressing these uncertainties.

## US



## OUR POSITION

Our US-based Energetics business has a leading position in the design, development and supply of sophisticated, pyrotechnic devices for the rapidly growing missile and space markets. These devices are critical elements of larger integrated systems providing defence and dissuasion to the threat posed by an increasingly assertive China. Meanwhile, our US Countermeasures business is the leading provider of expendable infra-red ("IR") pyrotechnic decoys, providing platform protection.

Our US Sensors business is now solely focused on the bio-security market, and is the largest supplier of sensors providing tactical biological threat information at the point of need to the US DoD. Roke USA continues to execute a campaign to innovate and integrate Roke UK's disruptive land electronic warfare ("EW") technologies to address the US's mission-critical requirements, aligning with US DoD strategy.

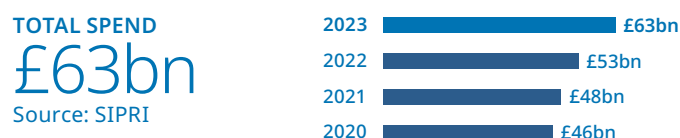
## MARKET TRENDS

The US remains the largest defence market globally, with the 2025 Presidential Defense Budget request hitting a record high of US\$849.8bn. This budget, shaped broadly by the priorities of defending the nation and strengthening relationships with like-minded partners and allies, also includes a significant commitment to Research, Development, Test and Evaluation ("RDT&E"), with US\$143.2bn allocated for new technology investments.

## OUR CHALLENGES AND OPPORTUNITIES

The US emphasis on strengthening its defence and national security technology infrastructure to meet defence requirements presents opportunities for us to leverage Group-wide capabilities and technologies in areas where the customer is seeking a technology advantage. These include launch systems, hypersonics, EVV, sensors, biotechnology, artificial intelligence ("AI"), cyber and quantum computing. The F-35 Lightning II military jet is the world's largest defence programme, and our contribution to this core air platform's countermeasures suite confirms our leadership position in this capability area.

## UK



## OUR POSITION

Our UK Energetics business is the sole source supplier of various land, air and naval propellants and pyro-mechanical devices. It holds critical through-life programme positions in a number of high-demand capability areas including complex missile systems. Likewise, our UK Countermeasures business maintains its international leadership position in protecting air and naval forces from guided missile threats, through the design, development and supply of radio frequency ("RF") and infra-red ("IR") pyrotechnic decoys.

In the UK, our Roke business unit leverages its in-depth, full lifecycle expertise in cyber-security, professional intelligence, sensors, communications, land electronic warfare ("EW"), artificial intelligence ("AI") and machine learning to support national security and defence customers. Additionally, private and public sector organisations are increasingly working with Roke as technology partners using the business' experience in intelligent, data-driven, digital solutions to enhance their operational effectiveness.

## MARKET TRENDS

The UK's defence spending in 2023 is estimated to have been 2.3% of GDP, amounting to £54.2bn for the fiscal year 2023-2024. It is anticipated to rise by 4.5% in real terms to £57.1bn for 2024-2025.

In July 2024, the UK Government initiated the Strategic Defence Review ("SDR"), a deep and detailed assessment of the British military's current state, including its resources. The SDR aims to define the capability requirements across all military domains and prioritise a "NATO first" strategy within the UK's defence agenda.

The review is set to conclude in the first half of 2025 and will provide a strategic roadmap to meeting the goal of dedicating 2.5% of GDP to defence. It will also look to enhance national security.

## OUR CHALLENGES AND OPPORTUNITIES

The UK MOD accounts for c.19% of Group revenues, and it is an important partner for developing and qualifying new products and solutions, and for expanding and sustaining sovereign UK industrial capabilities.

The Group's strengths are well aligned to supporting the UK customer with the key challenges identified in the terms of reference for SDR 2024-2025. It can be anticipated that the SDR will enlarge the opportunity space for the capabilities of our Roke and UK Energetics businesses in particular.

Finally, as the sole source supplier of countermeasures to the UK's F-35 Lightning II fleet, Chemring is well placed to benefit from the plans for the procurement of an additional 27 aircraft in "Tranche 2", aimed at enhancing the UK's carrier-enabled power projection capability and increasing the fleet to 74 aircraft by 2033, with funding for this phase secured under an approved option.

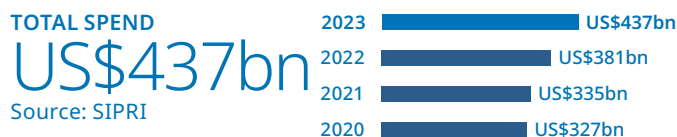


## GLOBAL SALES

% of Chemring's global sales (2020–2024)



## EUROPE



### OUR POSITION

Chemring has successfully provided its niche capabilities to several European customers, including Germany, France, Italy and Spain. Additionally, our Norwegian-based Energetics business supplies speciality materials to many leading prime contractors across, and beyond, the region and is playing an increasingly prominent role in the ongoing European defence industrial dialogue regarding capacity expansion to address the more threatening geostrategic environment.

### MARKET TRENDS

The Russia-Ukraine war has brought large-scale conflict to Europe, and European military expenditure is now approaching Cold War levels. This increased defence spend is accompanied by significant efforts to ramp up the continent's defence industrial base. 23 out of 32 NATO members now meet the 2% of GDP target for defence spending, double the number from 2020, and the most ever number of members to meet this target.

France will reach the NATO 2% GDP target in 2024 with a budget of €47.2bn, which it will steadily increase under the seven-year military planning law. Germany will reach the same NATO target over the next three years – the first time since the end of the Cold War. Moreover, across the alliance members defence spending rose 18% – the largest increase for several decades.

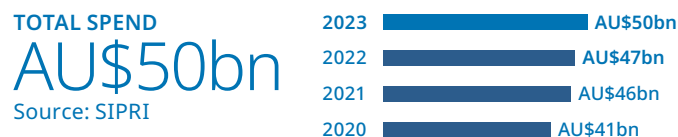
Regardless of EU defence spending reaching a record €345bn in 2023, capability gaps remain, with ammunition supplies and intelligence, surveillance and reconnaissance ("ISTAR") capabilities both priority areas for investment. To address these and other challenges, a new, first-ever European Defence Industrial Strategy, which sets out a clear, long-term vision to achieve defence industrial readiness in the EU, has been developed. The EU is proposing to devote €1.5bn to incentivise execution of this strategy, as well as the €500m Act in Support of Ammunition Production ("ASAP") programme to stimulate industrial capabilities.

The Norwegian Government sees the production of specialist energetic materials as its most crucial military-industrial contribution to Ukraine and allied needs. They recognise our significance as a supplier of this capability and are co-financing a joint feasibility study to assess the development of a new production facility for Chemring Nobel.

### OUR CHALLENGES AND OPPORTUNITIES

The outlook for the European market is positive, with increased demand for defence capabilities across all domains. We see long-term strong demand for our niche capabilities as countries invest to safeguard their national interests and re-equip Ukraine. The Group remains committed to supporting the requirements of European allies.

## AUSTRALIA



### OUR POSITION

Chemring's in-country capabilities are built on the Group's crucial role in the F-35 Lightning II international countermeasures supply chain. Chemring Australia plays an important role in the nation's industrial base and operates a cutting-edge manufacturing facility for airborne countermeasures.

### MARKET TRENDS

In 2024, the Australian Government issued both the National Defence Strategy ("NDS") and the Integrated Investment Program ("IIP"). Both documents are critical components of Australian defence planning and accompany the earlier 2023 Defence Strategic Review ("DSR"). For FY24/25 the consolidated budget figure for the Department of Defence (Australia) and the Australian Signals Directorate is set to rise to AU\$55.7bn – an increase of 6.3% from the previous year.

The Advanced Capabilities Pillar ("Pillar II") of the AUKUS trilateral co-operation agreement between Australia, the UK and the US aims to deepen co-operation on a range of advanced security and defence capabilities – including joint research and development and acquisition of advanced cyber, AI, autonomy, quantum, undersea, hypersonic and counter-hypersonic, EW, innovation, and information sharing capabilities.

Co-operation under AUKUS Pillar II has the potential to strengthen the partner nations' industrial bases, streamline information sharing and accelerate technology collaboration.

### OUR CHALLENGES AND OPPORTUNITIES

Chemring's industrial footprint in all three AUKUS nations makes it well placed to respond to appropriate opportunities ensuing from the pact, as well as other prospective bi-lateral and tri-lateral co-operative efforts.



## STRATEGY

# Focusing on our strategic imperatives

## OUR STRATEGIC FRAMEWORK

We have evolved our strategic framework to reflect the prevailing market dynamics and enhanced opportunity enjoyed by the Group.

### OUR VALUES:

SAFETY

EXCELLENCE

INNOVATION

### OUR STRATEGIC IMPERATIVES

Our strategy is based on the following three pillars:

#### GROW

Invest in people, technology and increased capacity to drive organic growth

#### ACCELERATE

Accelerate growth with bolt-on acquisitions

#### PROTECT

Strengthen our world-leading positions through increased modernisation and innovation

### OUR STRATEGIC AMBITION:

To increase annual revenue to c.£1bn by 2030

Balancing near-term performance with longer-term growth and value creation

Underpinned by our values of Safety, Excellence and Innovation, our strategy is comprised of three strategic imperatives. These imperatives will help us achieve our ambition of increasing our annual revenue to c. £1bn by 2030.

## STRATEGY IN ACTION

### GROW AND PROTECT

Key to our strategic imperative to grow the Company are our investments to increase capacity in our three Energetics businesses, and our investments in Roke's portfolio of products, services and intellectual property.

Our Norwegian Energetics business, Chemring Nobel, which supplies speciality energetic materials to an international customer base, is operating at full capacity. In parallel it is delivering expansion programmes which, when complete, will increase site productive capacity by about 275%. Chemring Nobel has also been awarded grants totalling £90m by the European Commission and the Government of Norway in order to increase production.

For our US Energetics business in Chicago, Chemring Energetics Devices ("CED"), the acquisition and expansion into an adjacent facility has been a key enabler to delivering against increased customer programme requirements and contributing to our growth ambitions. The acquisition is completed, the new facility is fitted out, and operations are delivering to plan.

We are also constructing a new propellants manufacturing facility at our UK Energetics business in Scotland. This new facility will provide increased capacity and throughput in a safe, modern manufacturing environment.

Finally, driven by the global threat environment, our Roke business is seeing a significant increase in demand for its technology-enabled solutions in active cyber defence, operational mission support and EVV capabilities. We are investing in innovation and solution development across these growing segments of the national security and defence markets based on our in-depth understanding of our customers' mission need and modernisation priorities.

### ACCELERATE

As evidenced by our acquisitions of Cubica and Geollect, we will pursue bolt-on acquisitions where they provide an opportunity to accelerate our overall growth strategy. We have a pipeline of near and long-term acquisition candidates in core, or near-adjacent, capability areas for both Roke and Chemring Energetics' US space and missiles business areas.





## GROW

We are driving organic growth through investing in our people, in technology and in increasing capacity. We will continue to focus on growing segments of the defence and national security market based on our in-depth understanding of our customers' mission requirements and modernisation priorities. Our investment in innovation and solution development will be targeted on areas where we are already seeing positive demand signals from our customers.

Macro-level defence budgets are increasing as the global security situation continues to decline. This is driving growing demand for our distinctive offerings as our customers' strategic context continues to evolve. Demand for energetic capabilities is at an unparalleled level as current events reconfirm the continued relevance of solutions for us in a traditional battlefield environment. We are investing in capacity expansion across our Energetics sites in response to this strong organic growth opportunity.

Across the Group we are also responding to strong demand for multi-domain capabilities particularly those in Cyber and Electromagnetic Activities ("CEMA"), artificial intelligence, autonomous systems and space.



### STRATEGY IN ACTION

#### INVESTING TO GROW

Across Chemring, we are continually looking at how best to invest to strengthen and grow our focused, world-leading positions. Following Russia's invasion of Ukraine in February 2022, we have seen unprecedented levels of demand for our specialist energetic capabilities. As such, we are investing to modernise and expand our manufacturing capacity to respond to our customers' needs including in the US at our Chicago site.

Chemring Energetic Devices ("CED") is experiencing significant growth across its market segments. This is evidenced by its record order book at the end of 2024 and the \$106m order for the delivery of critical components used on an undisclosed missile programme for the US DoD that was received in early November 2024.

In January 2024, and in response to this growing customer demand, CED acquired an additional 45,000 sq. ft. facility adjacent to its existing site. The new facility, which commenced operations in April 2024, significantly enhances CED's ability to maintain continuous flow manufacturing operations, which is essential in delivering against customer programme requirements, and is a key enabler of its future growth ambitions.

The combined investment budget for the new building, including the reconfiguration of the existing building and the addition of new equipment, is approximately \$12m – a significant investment in support of rapid growth. The new building offers 10,000 sq. ft. of office space and around 35,000 sq. ft. of manufacturing space. By moving several departments to the new building, and reorganising the existing facilities, this offers the opportunity to expand the footprint of every single department. This will allow CED to significantly increase the capacity of each of the different market segments to align with the substantial growth in every one of those segments.

Over time, the existing spaces will be reorganised to optimise product flow through the facility and eliminate many of the historical queue areas. Concurrently, several construction projects will also be undertaken to expand the energetic-rated manufacturing areas.



## STRATEGY continued

## Focusing on our strategic imperatives continued

## ACCELERATE

We will invest in value-enhancing acquisitions to accelerate growth and have a pipeline of bolt-on acquisitions with a focus on core, and near-adjacent, markets for our Roke and US Energetics businesses.

For Roke, our acquisition targets are technology-focused companies or firms that will allow us to pursue larger and broader opportunities with our national security and defence customers. We have a range of near and long-term acquisition candidates across the various Roke business areas, including targets with advanced capabilities and providing scaling opportunities.

In the US, we will look for targets that generate shareholder value by enabling the Group to access a greater portion of the space and missile markets. The Group is already well positioned in these markets, and we are evaluating acquisition targets in, and beyond, our Energetics-focused core.



## STRATEGY IN ACTION

## ROKE LAUNCHES NEW INTELLIGENCE SERVICE

Roke has launched Roke Intelligence, a suite of open source intelligence capabilities that integrates the expertise of intelligence professionals with cutting-edge technologies. This new business unit is dedicated to redefining global standards in commercially outsourced professional intelligence.

The demand comes from a dynamic global risk environment, where companies are looking for the most robust and integrated toolkits that enable them to make faster and more accurate decisions.

Roke Intelligence offers three core capabilities:

- Geollect, Roke's transformational solution providing state-of-the-art geospatial analytics and situational awareness;
- Infosight, our information operations platform that provides detailed knowledge and situational awareness about events in a defined environment; and
- Intelligence Services, harnessing industry-leading intelligence tradecraft expertise, fused with cutting-edge technology, to deliver simple answers to the most complex questions.

By integrating the expertise and tradecraft of intelligence professionals with cutting-edge technology – including AI, machine learning and data analytics – Roke Intelligence empowers clients with actionable insights, more informed decision making, and a vital competitive advantage in a dynamic global risk environment.



## PROTECT

We are investing to protect and strengthen our sole source and market-leading positions through increased modernisation and automation. A rigorous focus on safety, operational excellence, and the development of new products that meet our customers' continuously evolving critical needs is at the heart of this imperative.

We ensure we are on a continuous strategic journey by innovating at every stage of the value chain, from research and development through to design, manufacture and in-service support, working closely with our customers to deliver products, services and solutions for mission-critical success. In doing so, our strategic imperative, 'protect', touches every stage of our product life cycle and internal processes.



### STRATEGY IN ACTION

#### CHEMRING FAST TRACKS DELIVERY WITH RAPID PROTOTYPING

As a leading manufacturer of infra-red and radio frequency countermeasures for the protection of air, sea and land platforms, Chemring Countermeasures UK ("CCM UK") operates in a highly competitive and dynamic market, where customers demand high quality, innovation and responsiveness.

To meet these challenges, CCM UK has adopted rapid prototyping techniques that enable faster and more efficient product development and testing. By using 3D printing, laser cutting and CNC machining, the company can produce parts and components within hours instead of weeks, reducing costs and lead times.

One example of the benefits of rapid prototyping is the improvement of a chaff cube product, which is used to create radar decoys for aircraft. The old product was a small plastic cube that had to be manually inserted into a dispenser. The new product is a larger metal cube that can be pressed in bulk and loaded automatically. The new product has better performance, durability and safety, and it can be delivered more quickly and reliably to customers.

Rapid prototyping has enabled CCM UK to enhance its competitive edge and customer satisfaction, while fulfilling its mission of saving lives and ensuring security.





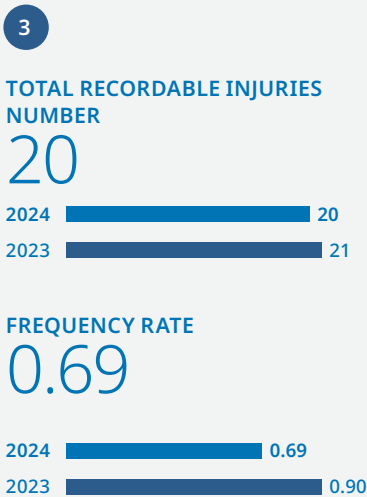
KEY PERFORMANCE INDICATORS

# Measuring our progress

The Group’s strategy is underpinned by focusing on a number of key performance indicators (“KPIs”).

These KPIs enable progress to be monitored on the implementation of the Group’s strategy, levels of investment, operational performance and business development. They also give an early insight into how well the principal risks and uncertainties are being managed.

## SAFETY



Number of energetic events causing harm or injury.

**WHY IS IT A KPI?**  
A process safety event is one of the key strategic safety risks of the business. This indicator measures those events that have caused injury or harm.

**2024 PERFORMANCE**  
There were no energetic events causing harm or injury in 2024 or 2023.

Number of near miss and potential hazards reported.

**WHY IS IT A KPI?**  
This indicates employee awareness of hazards. The greater the level of reporting the more engaged our people are.

**2024 PERFORMANCE**  
As we journey towards our goal of zero harm we need a workforce that is fully engaged and proactive in reporting unsafe actions and conditions. One measure is the reporting of near misses, providing us with the opportunity to learn and prevent accidents from happening. It is very encouraging therefore to see we have maintained a high level of near miss reporting this year.

Number of recordable injuries per 200,000 man hours worked.

**WHY IS IT A KPI?**  
This is the rate for all injuries, including those requiring medical treatment or a restricted workday, and lost time injuries. It is a more sensitive indicator of occupational safety than lost time injury frequency rates, as more minor events are captured.

**2024 PERFORMANCE**  
We had 20 employee injuries this year, compared to 21 last year. This resulted in a slight decrease in our recordable injury rate, from 0.90 to 0.69, which remains below our limit of 1.0. From 1 November 2024, our limit will reduce to 0.90. There were no fatalities or serious injuries during the year.



Similar indicators are used to review performance by each of the Group's businesses, albeit the exact nature of these varies between business units to reflect the differing nature of their operations.

The KPIs that the Board and senior management utilise to assess Group performance are set out below. All financial KPIs refer to continuing operations and therefore exclude businesses classified as discontinued and held for sale.

## ORDERS

4

### ORDER INTAKE GROUP

£673m



Order intake is measured at expected sales value and represents the last 12 months' activity.

#### WHY IS IT A KPI?

The trend of order intake gives an indication of market conditions and our competitiveness within our markets.

#### 2024 PERFORMANCE

Order intake across the Group remained strong, despite a decrease of 11% to £673m (2023: £756m). Customers in the Energetics businesses continue to place multi-year orders, whereas in Sensors & Information, customers are placing annual orders.

The order book was up 12.6% to £1,038m (2023: £922m), with £413m currently due as revenue in FY25, approximately 77% coverage of FY25 targeted revenue.

5

### ORDER BOOK GROUP

£1,038m



Order book is measured at expected sales value and indicates future potential.

#### WHY IS IT A KPI?

The level of order book, in particular for delivery in the next year, gives a degree of confidence in expected future financial performance.

## REVENUE

6

### REVENUE GROUP

£510m



Revenue is measured at sales value less any applicable sales taxes.

#### WHY IS IT A KPI?

The trend of revenue gives an indication of both the state of the end market and our business' ability to execute orders on time to satisfy customer needs.

#### 2024 PERFORMANCE

Group revenue was in line with our expectations, with strong performance at Roke, steady growth in Countermeasures & Energetics offset by a foreign currency headwind.



## KEY PERFORMANCE INDICATORS continued

## Measuring our progress continued

“This has been a year of heightened activity and progress across the Group as we have reacted to growing demand for our products and services. With a record order book and significant investment in expansion, the Group remains well placed to maintain sustainable performance and growth.”

**Michael Ord**

Group Chief Executive

## UNDERLYING OPERATING PROFIT AND MARGIN

7

### UNDERLYING OPERATING PROFIT GROUP

£71.1m

2024  £71.1m

2023  £69.2m

### UNDERLYING OPERATING MARGIN GROUP

13.9%

2024  13.9%

2023  14.6%

Underlying operating profit excludes non-underlying items that, by their size or nature, need to be separately disclosed to properly understand the Group's underlying quality of earnings. Underlying operating margin is calculated as underlying operating profit divided by revenue.

#### WHY IS IT A KPI?

Underlying operating profit provides a consistent year-on-year measure of the trading performance of the Group's operations. A focus on operating margin allows the impact of changes in revenue and cost base to be monitored, enabling comparisons to be made of management performance and trading effectiveness.

#### 2024 PERFORMANCE

The underlying operating profit increased by 2.7% during the year. The changes in margin of each sector reflect the market conditions, volume changes and performance improvement actions, as set out in this strategic report.

## UNDERLYING EARNINGS PER SHARE

8

### UNDERLYING DILUTED EARNINGS PER SHARE

19.3p

2024  19.3p

2023  20.0p

Calculated as underlying earnings after tax divided by the number of shares in issue.

#### WHY IS IT A KPI?

The measurement of underlying EPS reflects all aspects of the Group's income statement including the management of interest and tax.

#### 2024 PERFORMANCE

Underlying EPS decreased by 3.5% in 2024, driven by increased underlying operating profit offset by higher tax and interest charges.

## WORKING CAPITAL AND INVENTORY

9

### WORKING CAPITAL GROUP

£88.3m

2024  £88.3m

2023  £82.3m

Working capital is defined as inventories, trade and other receivables, less trade and other payables excluding payroll-related and other liabilities totalling £33.2m (2023: £30.3m).

#### WHY IS IT A KPI?

Efficiently turning profit into cash demands a degree of control over working capital.

#### 2024 PERFORMANCE

Working capital as a percentage of revenue was flat at 17% (2023: 17%), demonstrating the continued effective management of working capital.





10

**INVENTORY GROUP****£127.1m**

Inventory is measured at the lower of cost and net realisable value.

**WHY IS IT A KPI?**

The primary focus for improvement in working capital is inventory.

**2024 PERFORMANCE**

Inventory increased, as customers paid to secure their supply chains as their programmes ramped up in Countermeasures & Energetics and the Group has in turn secured materials to fulfil the short-term order book.

11

**NET DEBT AND CASH FLOW****NET DEBT: UNDERLYING EBITDA****0.56x**

Measured as net debt divided by underlying EBITDA for the previous 12 months.

**WHY IS IT A KPI?**

This is a measure of leverage within the business and is a banking covenant.

**2024 PERFORMANCE**

This has increased in 2024, as net debt has increased with the continued investment in Energetics expansion.

12

**UNDERLYING OPERATING CASH FLOW****£96.0m****CONVERSION OF UNDERLYING EBITDA INTO UNDERLYING OPERATING CASH****102%**

Cash flow from operating activities before tax outflows, non-underlying items and pension payments. The conversion is the above figure as a ratio of underlying EBITDA, presented as a percentage.

**WHY IS IT A KPI?**

This is a key measure to ensure profit turns into cash in short order.

**2024 PERFORMANCE**

Operating cash conversion again exceeded 100% as our focus on the effective management of working capital was maintained.



## BUSINESS MODEL

# Protecting people, assets and nations

## WE DO THIS BY



### PROVIDING MISSION-CRITICAL SOLUTIONS

Our people globally work on highly engineered mission-critical devices and solutions that have to work the first time, every time. Whether on the battlefield with our electronic warfare products or our space initiators launching specialist space missions, we are a trusted supplier with a heritage in niche market segments.

### MAINTAINING HIGH-HAZARD ENGINEERING ENVIRONMENTS

Safety is at the heart of everything we do. Our licences to operate our high-hazard engineering facilities provide the basis on which we constantly innovate, develop and build core components and products to protect sovereign nations' war fighters, sailors and soldiers.

These facilities are located worldwide in the UK, the US, Australia, and Norway.

### PARTNERING IN SOLE-SOURCE AND LONG-TERM AGREEMENTS

We are a trusted partner with a unique diverse range of capabilities and facilities. We are often designed in and qualified on a particular platform, which means over 60% of our revenues are sole source.

As our customer programmes are ramping, they are looking to secure long-term agreements for supply, so that we can meet their future and growing demands.

### INVESTING IN A SUSTAINABLE FUTURE

We have a long-term investment programme to increase our automation, enhance safety, and improve quality. Sustainability remains at the core of our operations, with constant checks, reviews, and management of our environmental impacts.

We have invested significantly across the Group this year alone, with our capacity expansion projects in Norway, Scotland and the US. These projects will increase production and provide new state-of-the-art facilities to ensure our people are as safe as possible.

We constantly strive for operational excellence and drive innovation for our customers to counter ongoing and ever changing threats.

## OUR VALUES

### SAFETY

Safety is our top priority in all that we do.

- We ensure safe operations and effective risk management.
- We promote best safety practices throughout our operations and beyond.
- We are committed to minimising our environmental impact.

### EXCELLENCE

We strive to consistently meet high standards in every aspect of our work.

- A culture of continuous improvement is central to our approach.
- We are dedicated to maintaining and achieving operational excellence.
- We honour our commitments and always deliver on our promises.

### INNOVATION

We develop innovative solutions to address our customers' challenges.

- We foster imaginative thinking and innovative solutions.
- We collaborate to transform ideas into advanced technologies and solutions.
- We value teamwork and the sharing of experience.



## VALUE WE DELIVER

### INVESTMENT

In the past year, we invested £75.4m in property, plant and equipment. Additionally, we invested £131.3m in product development, with £114.0m of that customer-funded. We are also executing on a £200m capacity expansion plan through 2028 to meet rising demand in the Energetics market, which is expected to generate an additional £100m in annual revenue.

### CASH FLOW

Our aim is to convert 100% of underlying EBITDA to underlying operating cash flow over the medium term, acknowledging potential timing differences at individual period ends and the cash requirements the expansion will require. In 2024, the conversion ratio was 102%, and the average underlying cash conversion of underlying EBITDA on a rolling 36-month basis was 101% (2023: 101%). This demonstrates strong operating cash generation and effective working capital management.

### DIVIDENDS

For the year ended 31 October 2024, our dividend is proposed to be 7.8p per share (2023: 6.9p), an increase of 13.0% on the prior year, pending approval of the final dividend at the Annual General Meeting.

### INVESTMENT

**£206.7m**  
(2023: £152.1m)

### UNDERLYING CASH CONVERSION

**102%**  
(2023: 90%)

### DIVIDENDS

**7.8p**  
(+13.0%)

### CUSTOMERS

Our customers include governments, prime contractors and other commercial businesses. We provide innovative solutions to satisfy their requirements.

### EMPLOYEES

The expertise and skills of our employees are crucial to fulfilling customer needs. We offer development opportunities and ensure a safe, engaging and rewarding working environment for all of our people.

### COMMUNITIES

We positively impact local communities by actively contributing to economic growth and providing high value jobs.

### INVESTORS

By effectively executing our Group strategy, we aim to generate returns for our shareholders through capital appreciation and a progressive dividend.

### SUPPLIERS

We cultivate strong relationships with our suppliers, partnering to deliver innovative solutions and supporting them through our procurement of their goods and services.

### GOVERNMENTS

We pay taxes in the jurisdictions where we operate, supporting public infrastructure and services such as healthcare, education, transport systems, and law enforcement.

**> READ MORE ABOUT OUR STAKEHOLDERS ON PAGES 38 TO 41**

## CLIMATE CHANGE

We acknowledge the significant and lasting effects of climate change, and its growing impact on our markets. We are actively working to reduce our impact on the environment and enhance resilience to climate and other nature-related risks. Our efforts focus on managing energy consumption and waste, and understanding their impact on our sites and operations.

**> READ MORE ON PAGES 48 TO 51**



## FOCUS ON

# Countermeasures & Energetics

In our Countermeasures & Energetics sector, we have deep technical expertise in high-hazard manufacturing and precision engineering. Chemring is the world leader in the design, development and manufacture of advanced expendable countermeasures and countermeasures suites for protecting air and sea platforms against the growing threat of guided missiles.

Our niche, world-class Energetics portfolio provides high-reliability, single-use devices, propellant and high-quality explosive materials. These are used to perform critical functions for the space, aerospace, defence and industrial markets including heavy-lift space launches, satellite deployment, long-range strike missiles, aircrew egress and aircraft safety systems.



## KEY FACTS

## REVENUE

£298.4m

(2023: £285.6m)

## UNDERLYING OPERATING PROFIT

£46.5m

(2023: £50.5m)

## ORDER BOOK

£933m

(2023: £751m)

## UNDERLYING OPERATING MARGIN

15.6%

(2023: 17.7%)

## STATUTORY OPERATING PROFIT

£48.1m

(2023: £48.8m)

## STRATEGY

Our Countermeasures & Energetics sector strategy is aligned to the significant growth opportunities that we are seeing in the market, and we are investing to strengthen and expand our world-leading positions.

Set against the background of Russia's invasion of Ukraine in February 2022 and the broader increased threat environment, we are seeing unparalleled demand for our specialist capabilities in Energetics, with customers prioritising significant elements of their defence spend to enhance and replenish their munition and complex weapon stockpiles. We have initiated a significant investment programme to expand our manufacturing capacities in Norway, the US and the UK to respond to our customers' elevated and urgent demands, assisted by significant grant funding.

In Countermeasures, where we expect robust but steady demand for our air and naval countermeasures over the next five years, even in the absence of force deployment, we will continue to advance modernisation and automation across our facilities. Additionally, we promote technology sharing and enhanced manufacturing excellence throughout the Group whenever possible.





## MARKETS

The elevated levels of geopolitical tensions characterised by the continuing Russia-Ukraine war, the conflict between Israel and Hamas-led militant groups in the Middle East, and an increasingly assertive China are driving defence and national security budget increases of differing levels. These uncertainties are also contributing to a strengthening of international alliances, with existing and new NATO members responding to the Ukraine crisis, which is now in its third calendar year.

The outlook for the global defence market is therefore increasingly robust, with strong growth predicted over the next decade. European military expenditure is at Cold War levels and we are now seeing governments' announcements of budget increases manifesting into new orders. This increased defence spend is accompanied by significant efforts to ramp up the continent's defence industrial base. Twenty three out of thirty two NATO members now meet the 2% of GDP target for defence spending – double the number from 2020, and the highest ever number of members to meet this target.

Despite the increase in budgets, capability gaps remain, with ammunition supplies and long-range strike capabilities remaining priority areas for investment in both the US and Europe. To address these and other challenges, a new, first-ever European Defence Industrial Strategy, which sets out a clear, long-term vision to achieve defence industrial readiness in the EU, has been developed. The EU is proposing to devote €1.5bn to incentivise execution of this strategy, as well as the €500m Act in Support of Ammunition Production ("ASAP") programme to stimulate industrial capabilities.

Against this backdrop we are seeing increased long-term demand levels for our differentiated Countermeasures & Energetics capabilities. This is particularly prevalent in our three leading Energetics businesses, where we are seeing unprecedented demand levels for speciality energetic materials and energetic propulsion devices, and where Chemring is a key supplier to NATO. Increasingly, customers are signing long-term contracts in order to secure supply and this improved visibility is enabling greater focus on our investment into manufacturing capacity, efficiency and product research & development. Long-term demand and associated funding are expected to remain robust.

Chemring continues to hold a leadership position in the addressable air countermeasures market. Demand in the Countermeasures sector over the next five years is primarily being driven by US and international requirements, coupled with new technologies being developed in the UK that will be shared across the Group's businesses. Sole source positions on several products and platforms in conjunction with high barriers to entry are evidenced by our strong order book. Demand for the F-35 Lightning II stealth multi-role combat aircraft continues to be strong, and our contribution to this advanced platform's countermeasures suite confirms our leadership position in this capability area.

## PERFORMANCE

Order intake for 2024 remained strong at £523m (2023: £541m).

In the Energetics sector, we continue to see increased levels of activity and demand in the devices, propellants and energetic materials markets as customers re-evaluate their operational usage and stockpile requirements associated with traditional defence capabilities. As a result, our three niche Energetics businesses, which design and manufacture high precision engineered devices and specialist materials, have continued to see strong customer demand, with order intake at £348m (2023: £358m).

Our Norwegian-based subsidiary, Chemring Nobel, had another year of record performance and signed a number of long-term partnering agreements with its key customers. In June 2024 a 15-year partnering agreement was signed with Northrop Grumman for the supply of HMX energetic material used in its missile programmes. As part of this agreement, Chemring Nobel received an initial delivery order, valued at \$83m, for the supply of HMX. Deliveries under this order will commence in 2026 and will be made over the following three years.

In November 2024, Chemring Nobel signed a 12-year framework agreement with Diehl Defence for the supply of MCX energetic material. As part of this agreement, Chemring Nobel received an initial purchase order for the delivery of MCX, valued at €231m. Deliveries under this order will commence in 2027 and will be made over the following five years. The company is exploring options to perform the blending stage of the manufacturing process in Germany.



Chemring Energetics, Scotland - September 2023



Chemring Energetics, Scotland - September 2024



## FOCUS ON continued

## Countermeasures &amp; Energetics continued



## PURPOSE IN ACTION

## INVESTING IN ADDITIONAL CAPACITY

This year, Chemring Nobel ("CHN") was awarded c.£90m in grants from the European Commission and the Government of Norway.

The €67m (£57m) funding from the European Commission aims to boost defence production within Europe. It is part of the Act in Support of Ammunition Production ("ASAP") programme, which is a response to the European Council's call to urgently deliver ammunition and missiles to Ukraine and help member states refill their stocks.

In addition to the funding from the European Commission, CHN also received a further grant of NOK 428m (£32m) from the Government of Norway. This co-financing will boost capacity and production at CHN and significantly strengthen Norwegian production capacity for critical defence products.

CHN Managing Director, Helge Husby, said: "The financial support we have received will play an important role in the planned increase in our production capacity. The funds will also contribute to a more sustainable business with modern technology to reduce our environmental footprint. Locally, it also ensures more forward-looking jobs at the Hurum-peninsula. The support will assist Ukraine with its defence needs and strengthen Norway's and NATO's preparedness in the future."

Both grants support Chemring's decision to invest in more than doubling the capacity of our facility over the medium term and reinforce CHN's position as a key strategic supplier to NATO.

## PERFORMANCE continued

Our Scottish facility also received a number of notable contract awards during the year. The business also made excellent progress in the construction of its new propellants manufacturing facility. Concrete pours have been completed on most buildings, with steelwork and frames also installed. This new facility will provide increased capacity and throughput in a safe and modern manufacturing environment.

In the US, we have seen growing demand for precision engineered devices for space and missile applications, with our Chicago business, Chemring Energetic Devices ("CED"), receiving a significant level of orders in the year. These included an order from the United Launch Alliance to develop initiators and an order from Boeing in relation to the Harpoon missile programme, with the combined value of these two latter orders totalling over \$20m. In April, CED successfully completed qualification testing for the Blue Origin Standard Initiator and is now the sole provider of this device. This initiator will be common to all Blue Origin spacecraft, including the upcoming New Glenn launch vehicle.

In January 2024, and in response to growing customer demand, CED acquired an additional 45,000 sq. ft. facility adjacent to its existing site. The new facility, which commenced operations in April 2024, significantly enhances CED's ability to maintain continuous flow manufacturing operations, which is essential in delivering against customer programme requirements and is a key enabler of its future growth ambitions. CED closed the financial year with a record order book, which is in excess of \$200m (2023: \$165m). In November 2024 CED received an order valued at \$106m for the delivery of critical components used on an undisclosed missile programme for the US DoD, further enhancing this record order book.

This strong performance demonstrates the value that our customers place on Chemring's niche products and the strong demand that we expect over the coming years. This was further illustrated when in March, the Group received notification that the European Commission had granted £57m of funding to our Norwegian subsidiary, Chemring Nobel, in support of boosting defence production in Europe. Further funding of £32m was also received from the Government of Norway to boost capacity and production at the site.

In Countermeasures, we have continued to see steady customer demand from across our portfolio, maintaining our position as the world leader in the design, development and manufacture of advanced expendable countermeasures. Order intake was £175m (2023: £183m). Notable contract awards at Chemring Countermeasures UK ("CCM UK") included a £36m order from BAE Systems, a £16m order from the UK MOD, and an £8m order from MBDA USA for a new naval infra-red decoy. This was the first US production order that CCM UK had received in over ten years, and contributed to the business having a year-end order book of greater than £200m, the highest in its history. Chemring Australia also secured a \$31m contract for the supply of MJU-68/B infra-red countermeasures used on the F-35 Joint Strike Fighter.

The Countermeasures sector saw a greater weighting of its trading performance and cash generation to the second half of 2024, following the operational challenges experienced at our Tennessee Countermeasures business, where production was disrupted due to adverse weather conditions and there were delays in the ramp up of its automated facility. The underlying operating profit margin was also adversely affected by deliveries made on a legacy contract from 2016 for the supply of countermeasures to the US DoD. Having previously been expected to complete in the second half of the financial year, the customer has now exercised an option to extend the duration of this contract, which will now conclude in the first half of FY25.



Revenue for Countermeasures & Energetics was up by 4% to £298.4m (2023: £285.6m). The sector reported an underlying operating profit of £46.5m (2023: £50.5m) as underlying operating margin decreased to 15.6% (2023: 17.7%), reflecting the impact of operational challenges at our Tennessee Countermeasures business. On a constant currency basis revenue would have been up 7% to £304.5m and operating profit would have been down 6% to £47.3m.

The statutory operating profit for the year was £48.1m (2023: £48.8m).

### OPPORTUNITIES AND OUTLOOK

The Countermeasures & Energetics segment's focus remains on maintaining and growing the Group's market-leading positions, in particular in the growing markets for propellants and precision engineered energetic devices, and in countermeasures where we see undiminishing demand for our air and naval decoy products, even in the absence of force deployment. Our focus on seeking to achieve appropriate margins, mindful of financial constraints from our customers, will continue.

The Group's specialist propellant and devices businesses in Scotland and Chicago are increasingly securing long-term contracts with customers, supporting greater short and medium-term visibility and providing a framework for long-term planning and investment decisions. Similarly, demand for high-quality energetic materials has enabled our Norwegian business to work proactively with its customer base on establishing long-term contracting models, providing significantly improved visibility.

The increasingly positive market conditions for our Energetics businesses, reflected in our order intake and record order book, have presented a strong organic growth opportunity to expand capacity at these sites. In 2023, we announced a three-year £120m investment programme through to 2026 to capitalise on this long-term demand. As the strong market conditions have continued, we announced the decision in June to increase the capital investment programme from £120m to £200m, which we expect to increase revenue by £100m per annum and operating profit by £30m per annum from 2028. In addition to this, we announced that our Norwegian business had been awarded grant funding of £90m in support of its capacity expansion projects, meaning that the net investment required by the Group will now be £110m in total.

In October 2024, the Norwegian Government announced that, in partnership with Chemring Nobel, it had launched a feasibility study into the establishment of a new production facility to further increase the production of military explosives, as they view Chemring Nobel as the producer in Europe and North America that can establish increased production the fastest. This co-funded feasibility study, which is expected to be concluded in early 2025, will investigate the geographic location, infrastructure requirements and environmental considerations of building a new production facility. The study will also consider the role and the levels of any financial contribution made by the Norwegian Government.

Alongside these investments in expanding our capacities we will continue to invest in new product development to ensure that our product portfolio remains highly relevant to our customers and will continue the process of operational alignment to share technology and manufacturing excellence across the Group.

The Countermeasures & Energetics order book at 31 October 2024 was up 24% to £933m (2023: £751m). The increase compared to the 2023 year-end closing order book is largely attributable to the strong order intake across the Energetics businesses, whose customers are increasingly placing multi-year orders. Of the 31 October 2024 order book, approximately £323m is currently expected to be delivered in 2025, representing 97% coverage of expected 2025 revenue and approximately 81% of 2026 and 52% of 2027 revenue.



### PURPOSE IN ACTION

#### CHEMRING'S MISSION-CRITICAL ROLE IN THE US NATIONAL SECURITY SPACE LAUNCH PROGRAMME

Earlier this year, US space launch companies vied to be selected to launch some of the country's most sensitive military and intelligence satellites into space over the next decade. In this multi-billion-dollar programme, the US Department of Defense chose Jeff Bezos' Blue Origin, Elon Musk's SpaceX, and the Boeing-Lockheed joint venture, United Launch Alliance ("ULA"), as the three contenders which can now compete for national security space missions.

Chemring Energetic Devices ("CED") provides mission-critical devices for space launches and payloads.

This most recent procurement programme by the Pentagon focuses on launch providers and their launch platforms. These platforms are sending the largest payloads into space to some of the most distant orbits. Over the next three years, SpaceX, ULA and Blue Origin will be the only three launch companies that can bid on these upcoming launches, which will service the most challenging and hardest-to-reach orbits.

CED already has current business and strong relationships with all three big providers. It provides well over 100 different devices and energetic items that make launches possible.

CED has a long history of working with NASA, going back to the Apollo missions. CED remains the only NASA Standard Initiator ("NSI") manufacturer in the world.



> DISCOVER MORE ABOUT COUNTERMEASURES & ENERGETICS AT [CHEMRING.COM/WHAT-WE-DO/COUNTERMEASURES-AND-ENERGETICS](https://chemring.com/what-we-do/countermeasures-and-energetics)





## FOCUS ON continued

# Sensors & Information

In our Sensors & Information sector we are a leading supplier of consulting and technology services, trusted by government and industrial partners worldwide to solve the most technically challenging defence and security-critical issues.

Our products include core technologies for detecting, intercepting and jamming electronic communications, next-generation intelligence, surveillance, target acquisition and reconnaissance ("ISTAR") capability for the modern battlefield, and world-leading systems for detecting biological agents. Operating across defence, national security, law enforcement and commercial domains, the Sensors & Information sector is constantly innovating to enable customers to deliver competitive advantage and to defend their people, assets and information.

## KEY FACTS

### REVENUE

£212.0m

(2023: £187.0m)

### UNDERLYING OPERATING PROFIT

£41.4m

(2023: £34.2m)

### ORDER BOOK

£105m

(2023: £171m)

### UNDERLYING OPERATING MARGIN

19.5%

(2023: 18.3%)

### STATUTORY OPERATING PROFIT

£37.4m

(2023: £10.7m)

## STRATEGY

The Sensors & Information sector is an area of major strategic focus for the Group. Our capabilities are highly relevant to customer investment priorities as they address a growing and diversifying threat. We will continue to grow our advanced product and service offerings, in sensors, communications, cyber and AI, where our customer intimacy, mission understanding and integration capabilities position us well to deliver superior value to our defence, national security and other customers.

The Group's specialist consulting and technology services business, Roke, operates in growing cyber and digital services markets. Investing in attracting and retaining the best technical talent, together with continued geographic expansion in the UK to follow our customers' missions, is key to long-term profitable growth in this area. We also continue to actively explore opportunities to expand and accelerate Roke's capability offerings to drive medium and long-term growth, including leveraging opportunities in adjacent markets and territories. In the short term this will require continued operating expense investment across the Roke business.

Driven by the global threat environment, our Roke business is seeing a significant increase in demand for its technology-enabled solutions in active cyber defence, operational mission support, electronic warfare ("EW") and intelligence capabilities. We will continue to invest in innovation and solution development across these growing segments of the national security and defence markets based on our in-depth understanding of our customers' mission needs and modernisation priorities.

Adjacent to our organic growth plans, we will continue to explore inorganic bolt-on opportunities to further accelerate growth. Roke's acquisition targets are technology-focused capabilities or businesses that will allow us to pursue larger and broader opportunities with our national security and defence customers. We have a pipeline of near and long-term acquisition candidates in core, or near-adjacent, capability areas for Roke.

## MARKETS

An increasingly unstable geopolitical environment has seen increased defence investment across a range of allies, including many European members of NATO, as countries seek the capabilities required to deter and defeat peer-level adversaries. In this context, genuine partnerships and alliances, such as Five Eyes, AUKUS and NATO, have become a critical element of the geopolitical landscape, with greater co-operation and alignment between allies essential.

The US remains the largest defence market globally, with the 2025 Presidential Defense Budget request hitting a record high of US\$849.8bn. This budget, shaped broadly by the priorities of defending the nation and strengthening relationships with like-minded partners and allies, also includes a significant commitment to Research, Development, Test and Evaluation ("RDT&E"), with US\$143.2bn allocated for new technology investments. The Group's differentiated capabilities in active cyber, space, hypersonic and advanced weapons, EW and bio-security/surveillance give us the opportunity to compete in this large and growing market.

In the UK, investment is ongoing to enhance national resilience, through reinforced supply chains and expanded industrial capacity. Simultaneously, the UK defence customer continues its mission to support Ukraine. The UK's defence spending in 2023 is estimated to have been 2.3% of GDP, amounting to £54.2bn for the fiscal year 2023-2024. It is anticipated to rise by 4.5% in real terms to £57.1bn for 2024-2025.





In July 2024, the UK Government initiated the Strategic Defence Review (“SDR”), a deep and detailed assessment of the British military’s current state, including its resources. The SDR aims to define the capability requirements across all military domains and prioritise a “NATO first” strategy within the UK’s defence agenda. The review is set to conclude in the first half of 2025 and will provide a strategic roadmap to meeting the goal of dedicating 2.5% of GDP to defence. It will also look to enhance national security. The British Army has a declared intent to use technology to double lethality by 2027 and Roke’s domestic defence programmes sit at the heart of this initiative.

The Russia-Ukraine war has brought large-scale conflict to Europe, and European military expenditure is now at Cold War levels. Among the twenty three NATO members which now meet the target for defence spending, France will reach the 2% GDP target in 2024 with a budget of €47.2bn, which

it will steadily increase under the seven-year military planning law. Germany will reach the same NATO target over the next three years – the first time since the end of the Cold War. Moreover, across the Alliance members defence spending rose 18% – the largest increase for several decades.

Regardless of EU defence spending reaching a record €345bn in 2023, capability gaps remain, with ISTAR capabilities all priority areas for investment. To address these and other challenges, a new, first-ever European Defence Industrial Strategy which sets out a clear, long-term vision to achieve defence industrial readiness in the EU has been developed. The EU is proposing to devote €1.5bn to incentivise execution of this strategy.

## PURPOSE IN ACTION

### ROKE LAUNCHES AGILE COUNTER-UAS

A dynamic, portable and deployable system dedicated to helping military and civilian organisations tackle the growing and evolving threat posed by Unmanned Air Systems (“UAS”).

Roke Agile Counter-UAS offers a two-pronged defence to meet the rapidly evolving threat to people, assets and infrastructure. The scalable and flexible solution includes: a standalone C-UAS sensor system, RapidEO; and a pioneering open-architecture, interoperable fusion and autonomy engine.

Roke’s AI-powered RapidEO sensor system is a dynamic all-in-one solution for detecting and confirming UAS threats. Portable, lightweight and requiring limited power supply, RapidEO can be deployed at scale to protect vehicles, buildings and people. Its unique sensing agility allows it to protect against swarms and multi-axis attacks even in cluttered environments, raising the alarm and allowing decision makers to respond quickly.

For networked and multi-sensor applications, Roke’s open-architecture fusion and autonomy engine, is fully interoperable and allows users to integrate their choice of sensor mix to best address a specific challenge. This brings a new level of flexible capability to the market and is unlike other closed and stove-piped solutions.

Critically, as the UAS threat evolves and sensor technology advances, decision makers are not locked in – our solution allows users to adapt deployment more quickly than with other solutions to dominate the new threat. This works with a range of sensors from Roke’s ecosystem of technology partners.



> DISCOVER MORE ABOUT SENSORS & INFORMATION AT [CHEMRING.COM/WHAT-WE-DO/SENSORS-AND-INFORMATION](https://chemring.com/what-we-do/sensors-and-information)



## FOCUS ON continued

## Sensors &amp; Information continued

## PERFORMANCE

Order intake in the year was down 31% to £149.7m (2023: £215m). This was driven by a 28% decrease in Roke's order intake as customers returned to an annual order cycle rather than the multi-year awards that were placed following the COVID-19 pandemic and the order for Joint Biological Tactical Detection Systems ("JBTDs") Low Rate Initial Production ("LRIP") being in the prior year comparator.

Roke "pass-through" impact	2024 £m	2023 £m	Change
<b>Order intake</b>			
Products and services	115	156	(26)%
Pass-through	16	27	(41)%
As reported	131	183	(28)%
<b>Revenue</b>			
Products and services	157	128	23%
Pass-through	28	32	(13)%
As reported	185	160	16%

Revenue for Sensors & Information increased by 13% to £212.0m (2023: £187.0m) and underlying operating profit increased by 21% to £41.4m (2023: £34.2m), as underlying operating margin increased to 19.5% (2023: 18.3%). This was driven by the increased products and services revenue at Roke and lower margin dilutive "pass-through" revenue as shown in the table above. Adjusting for the "pass-through" revenue, the Sensors & Information underlying profit margin would have been 22.5% (2023: 22.1%). On a constant currency basis revenue would have risen 14% to £212.8m and underlying operating profit would have increased by 21% to £41.5m.

In the UK, the markets for Electronic Warfare ("EW"), cyber and AI capabilities, in which Roke is a leading participant, have remained buoyant in the year. As shown above, Roke has delivered strong growth in revenue with double-digit growth in underlying operating profit and has maintained strong margins despite increased investment in people, infrastructure and product development.

A fundamental characteristic of the increased threat environment and of recent conflicts, notably Russia's invasion of Ukraine, is how conventional wars are blending in the use of new technologies and tactics, and how agility and being able to adapt at pace are essential to defeat both established and emerging threats. Government customers are budgeting and investing accordingly, and in this multi-domain, integrated environment, Roke's capabilities in active cyber defence, EW, sensors, intelligence, autonomy and AI are seeing strong demand, and making an important contribution to supporting vital missions.

In Roke's defence markets, the increasing importance of Cyber and Electromagnetic Activity ("CEMA") in today's threat environment has led to a growing number of enquiries for Roke's suite of world-leading EW products. A notable highlight during the year was further wins in the area of EW with awards received from customers in Sweden, Lithuania, Latvia, the United Arab Emirates and Japan. The order for ten Resolve EW systems from Japan is Roke's first into the East Asia region, securing a high-quality reference customer. Roke has a significant (>£300 million) five-year international sales pipeline for EW products as customers increase focus on CEMA.

Roke's expertise in the field of EW was further demonstrated in September 2024 when Roke was announced as one of four UK organisations to have been selected for research funding in the first AUKUS Innovation Challenge. The trilateral AUKUS Pillar 2 EW Challenge called for proposals to identify electromagnetic spectrum technology solutions to help give the AUKUS nations a strategic edge in targeting and to provide protection against adversarial electromagnetic-targeting capabilities.

During the year Roke also received a £10m increase to the Project ZODIAC MVP award received in September 2023. ZODIAC is the backbone of the British Army's Land ISTAR Programme which will deliver an integrated ISTAR system to transform how the Army undertakes data-led decision making to gain operational advantage. In total, Roke's ZODIAC programme contract awards now stand at £51m with the programme currently completing in FY25. Future phases of Zodiac could be in excess of £100m, presenting a significant opportunity to Roke as the incumbent supplier.

Roke has continued to cement its position as a key strategic partner to the UK's national security agencies, further enhancing this key high barrier to entry value stream. Despite Government spending headwinds multiple awards, valued at c.£50m, were received from the national security community.

Roke's new Intelligence business area has made good progress in building a position in the fast growing, embryonic, opportunity-rich open source intelligence ("OSINT") market. Roke's unique approach to this market integrates human expertise and intelligence tradecraft with cutting-edge technology including AI, machine learning and advanced sensors. Roke's capabilities and technologies are combining to create a highly differentiated intelligence offering, and while the initial domain focus is on geospatial intelligence ("GEOINT") to commercial clients with a requirement for maritime domain awareness, strong potential exists to cross-sell this capability to other Roke customers.

Following last year's decision to exit the Explosive Hazard Detection business, 2024 has been a transitional period for our US Sensors business as we focus on our biological detection capabilities. Deliveries under the full rate production phase of the Enhanced Maritime Biological Detection System ("EMBD") Program of Record have continued as planned. This fully-automated sensor to rapidly detect, collect, identify and sample airborne biological warfare agents is supporting the US Navy. In April 2024 we received a fourth option quantity exercised under the sole source \$99m Indefinite Delivery/ Indefinite Quantity contract valued at \$15m, with deliveries expected to be made in 2025.

On the JBTDs programme, having been awarded a LRIP contract in September 2023, material procurement and production gathered pace throughout the year with all major deliverables under the JBTDs LRIP contract having been completed. We continue to support the customer as they progress through testing and acceptance, with the expectation of a Full Rate Production contract being awarded in 2026.

These sole source positions with the US DoD provide an excellent opportunity to penetrate international markets with these products sold under Foreign Military Sales ("FMS") and direct commercial sales agreements to key strategic allies of the US Government. As a key supplier of biological detection equipment to the US DoD, we are well placed to help customer in this area.



Chemring's experience and expertise in fielding biological agent detectors for its US DoD customers provide a strong platform from which to pursue opportunities in other existing and adjacent markets, such as homeland security. In a post-pandemic and contested world, governments are becoming increasingly concerned by the risks of both naturally occurring and engineered biological threats. Advances in synthetic biology now give our national adversaries the capability to deliberately engineer organisms to create hazards and cause harm.

### OPPORTUNITIES AND OUTLOOK

The focus for Sensors & Information continues to be on expanding the Group's product, service and capability offerings to government and commercial customers in the technology-driven areas of national security, AI and machine learning, tactical EVV, information security and biological threat detection.

In the UK, the national security and defence markets are being increasingly shaped by a rapidly-changing threat environment with AI, EVV and data proliferation of particular focus. This is driving increased investment as customers look to modernise their capabilities at pace.

Roke will continue to focus its efforts on growing across all its business areas, delivering research, design, engineering and advisory services using its high-quality people and capabilities. During the year Roke expanded its sites in Gloucester and Manchester, continuing its strategy of building presence alongside customers, academic partners and science and engineering talent pools.

With strong positions in markets with high barriers to entry and where customers have unique profiles, we reiterate our ambition to organically grow Roke's revenue to greater than £250m per annum by 2028, while maintaining strong margins. We will also continue to actively explore opportunities to expand and accelerate the Sensors & Information sector capabilities and offerings, both by leveraging opportunities in adjacent markets and through further bolt-on acquisitions. However, any acquisition must meet a strict set of criteria, enhance shareholder value and fit in with our wider growth plans.

The order book for Sensors & Information at 31 October 2024 was £105m (2023: £171m), as customers moved to placing annual orders rather than the multi-year contracts that we have seen in recent years. Of this, £101m is expected to be delivered in 2025, providing 48% cover of expected 2025 revenue. 2025 trading performance for Sensors & Information is expected to show a continuation of the momentum seen in 2024, with continued growing demand for Roke's products and services. Medium-term growth opportunities in the US are driven by the Group's sole source positions on the biological detection Programs of Record moving into full rate production and by exploiting overseas opportunities for our biological threat detection capabilities.



### PURPOSE IN ACTION

#### ROKE HELPS ANGLIAN WATER @ONE ALLIANCE PARTNERSHIP TO ENHANCE WATER QUALITY MONITORING

Roke was approached by the Anglian Water @one Alliance partnership to develop a conceptual solution in one of the industry's most challenging areas – introducing intelligent digital solutions to harness the value of data for insightful decision making.

The @one Alliance is a partnership consisting of multiple companies each providing specialised knowledge, allowing it to deliver complex projects in the most efficient way, reducing the cost to Anglian Water's customers.

In line with the @one Alliance digital aftercare solution maturity model, Roke's solution proved a novel application of remote sensing satellite data to detect, locate and monitor pollution in a river and water bodies around Anglian Water's process and discharge point, effectively localising pollutants at different points along the river, and estimating the concentrations to mg/l without the deployment of ground sensors. This innovative solution provides the extraction of valuable insight from remote satellites for a data-driven water quality monitoring system.

The work will lessen the need for physical interventions and, critically, reduce Anglian Water's carbon footprint when monitoring the wastewater network in line with industry decarbonisation objectives.



## SECTION 172 STATEMENT

# Responding to our stakeholders' needs

Section 172(1) of the Companies Act 2006 requires the directors to act in the way they consider, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole. In doing so, section 172 requires the directors to have regard, amongst other matters, to:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

In discharging our section 172 duties the directors have regard to the factors set out above and any other factors which we consider relevant to the decision being made. We acknowledge that every decision we make will not always result in a positive outcome for all our stakeholders. However, by considering the Company's purpose, vision and values, together with our strategic objectives and having a process in place for decision making, we aim to ensure that our decisions are considered and proportionate.

Further details on how the Board operates and reflects stakeholder views in its decision making are set out in the corporate governance report on pages 90 to 99. Further information on how the Board has had regard to section 172 matters during the year can also be found in the following sections of the annual report:

SECTION 172 FACTOR	KEY EXAMPLES	PAGE
CONSEQUENCES OF ANY DECISION IN THE LONG TERM	<ul style="list-style-type: none"> <li>- Our purpose in action</li> <li>- Investment case</li> <li>- Business model</li> <li>- Market overview</li> <li>- Strategy</li> </ul>	6 10 28 18 20
INTERESTS OF EMPLOYEES	<ul style="list-style-type: none"> <li>- Our purpose in action</li> <li>- Stakeholder engagement</li> <li>- Health and safety</li> <li>- Our people</li> </ul>	6 38 46 61
FOSTERING BUSINESS RELATIONSHIPS WITH SUPPLIERS, CUSTOMERS AND OTHERS	<ul style="list-style-type: none"> <li>- Business model</li> <li>- Stakeholder engagement</li> <li>- Market overview</li> <li>- Strategy</li> <li>- Ethics and business conduct</li> </ul>	28 38 18 20 66
IMPACT OF OPERATIONS ON THE COMMUNITY AND THE ENVIRONMENT	<ul style="list-style-type: none"> <li>- Introduction to sustainability</li> <li>- Health and safety</li> <li>- Environment</li> <li>- Task Force on Climate-related Financial Disclosures report</li> <li>- Our people</li> </ul>	42 46 48 52 61
MAINTAINING HIGH STANDARDS OF BUSINESS CONDUCT	<ul style="list-style-type: none"> <li>- Ethics and business conduct</li> <li>- Corporate governance report</li> </ul>	66 90
ACTING FAIRLY BETWEEN MEMBERS	<ul style="list-style-type: none"> <li>- Investment case</li> <li>- Stakeholder engagement</li> <li>- Corporate governance report</li> </ul>	10 38 90





## STAKEHOLDER ENGAGEMENT

The Board recognises that positive interaction and collaboration with all our stakeholders is essential to the delivery of sustainable long-term value. Effective engagement enables the Board to better understand our stakeholders' views on material issues which may impact the business and helps to inform the Board's decision making. We engage with a wide range of stakeholders at the Board level, at a Group level and within our business units. By understanding what matters to our stakeholders we are able to take this into account when setting our strategy and planning our day-to-day business operations. The table below sets out how we engage with our key stakeholders.

## CUSTOMERS

## WHY WE ENGAGE

Ensuring that we provide innovative solutions that meet our customers' needs, efficiently and on time, is crucial to the delivery of our strategy and the long-term success of the business. Understanding our customers' needs can only be achieved through regular interaction and collaboration.

## HOW THE BUSINESS ENGAGES

- Regular meetings, teaming arrangements and engagement at all levels of our customers' organisations
- Partnering with customers on a broad range of technology and product development programmes and capability investment initiatives
- Participating in industry forums and working groups, and hosting customer visits to our sites
- Attending and exhibiting at selected trade shows, which enables high-level interaction and the opportunity to brief customers on key product developments and other initiatives

## HOW THE BOARD ENGAGES

- The Group Chief Executive and President of our US operations support our businesses through regular interactions with senior customer representatives, and provide feedback to the Board
- External market updates and customer views are obtained to support the Board's strategy review
- Our US Government Security Committee works closely with the US Government to ensure that we operate in full compliance with our Special Security Agreement and updates the Board on a regular basis
- Site visits enable the Board to develop a deeper understanding of our products, technical capabilities and customer requirements

## HOW WE MONITOR

- Order intake
- R&D expenditure
- Capital investment

## OUTCOMES

- Customer-focused inputs into the Group strategy
- Innovation and investment driven by customer requirements
- Collaborative, strategic customer relationships
- Customer support and funding for investment in capabilities
- Improved customer satisfaction

## EMPLOYEES

## WHY WE ENGAGE

Our people are at the heart of our business. They are critical to the delivery of our strategy and the future growth of the business. We recognise the importance of attracting, developing and retaining the best talent, and the need to provide a safe and inclusive environment where individuals can thrive.

## HOW THE BUSINESS ENGAGES

- Regular all-hands meetings and team briefings
- Works councils, trade unions, representative bodies and employee resource groups which support and connect people with shared characteristics or interests
- Employee engagement tools enable employees to provide immediate and anonymous feedback on developments within their businesses
- Publication of a monthly video blog by the Group Chief Executive, regularly featuring other members of the senior leadership team
- Publication of regular company notices and the in-house magazine, Chemring-I, which features news and events from across the Group
- Development programmes and succession planning

## HOW THE BOARD ENGAGES

- Monthly reporting to the Board on health and safety matters
- Output from employment engagement initiatives is shared with the Board and supplemented by periodic culture "check-ins" facilitated by an external consultant
- Direct engagement with the Board's nominated non-executive director, Laurie Bowen, through meetings with employees from across the business and at different levels of the organisation
- Board engagement with a wide range of employees during collective and individual site visits throughout the year
- The Board sets diversity targets and the Nomination Committee reviews diversity initiatives, senior leadership succession plans and talent development programmes
- Presentations from employees to the Board and its committees

## HOW WE MONITOR

- People-related data including retention rates and diversity statistics
- Safety performance metrics
- CEO pay ratio
- External ESG ratings
- Whistleblowing reports

## OUTCOMES

- Development of people strategy and related investment
- Safe, healthy and motivated workforce
- Focus on diversity and inclusion
- Improved employee retention
- Attractive proposition for potential new employees

STAKEHOLDER ENGAGEMENT *continued*Responding to our stakeholders' needs *continued*

## SUPPLIERS

## WHY WE ENGAGE

We rely on our suppliers to provide us with quality raw materials, products and services. Constructive engagement ensures that our suppliers are able to meet our high expectations on safety, quality, value, delivery performance and ethical business conduct. We recognise that prompt payment terms and strong supplier relationships are important in building a long-term, sustainable and supportive supply chain.

## HOW THE BUSINESS ENGAGES

- Day-to-day interaction with suppliers by supply chain management teams within our businesses
- Risk-based due diligence undertaken on suppliers and service providers
- Long-term agreements with our key suppliers, which provide visibility on future requirements and enable us to agree performance targets to drive continuous improvement
- All suppliers are issued with our Supplier Code of Conduct, which sets out the standards of ethical business conduct that we expect of them
- Audits and credit monitoring undertaken for certain key suppliers

## HOW THE BOARD ENGAGES

- Business continuity and supply chain dependency reviews included within the internal audit programme
- Reports on supplier and service provider due diligence and compliance reviewed by the ESG Committee
- Annual consideration and approval of the Modern Slavery Act Statement

## HOW WE MONITOR

- Payments made within payment terms
- Statistics on issue of the Supplier Code of Conduct and inclusion of suppliers and service providers in the Chemring Compliance Portal
- Regular credit checks of key suppliers

## OUTCOMES

- Collaborative, long-term relationships
- Delivery of safe and reliable products and services to customers
- Appropriate working capital management

## SHAREHOLDERS

## WHY WE ENGAGE

The continued support of our shareholders is something that we value greatly. We recognise the importance of providing all our shareholders with regular updates on the Group's operational and financial performance, strategy and future prospects, and ensuring that shareholder views are taken into consideration in relation to major developments in the business.

## HOW THE BUSINESS ENGAGES

- Engagement with shareholders predominantly led by the Group Chief Executive, the Chief Financial Officer and the Group Director of Corporate Affairs
- Publication of our interim and full year results statements, along with regular trading updates throughout the year
- Sustainability report published on our website
- Face-to-face meetings or video calls following the publication of any significant news update or at the request of the shareholder
- Engagement with proxy advisory bodies prior to general meetings
- Structured roadshows for our institutional investors following the publication of the Group's interim and full year results
- Our website provides financial, business and governance information on the Group and an alerts service enables subscribing shareholders to receive notification of corporate updates

## HOW THE BOARD ENGAGES

- The Board receives feedback collated by our brokers and other financial advisers from our institutional investors, in which their views can be expressed on a non-attributable basis
- Our Annual General Meeting provides the opportunity for our private shareholders to hear from and engage directly with the Board
- The Chairman, the Senior Independent Director and the Chair of the Remuneration Committee meet with shareholders to discuss specific matters

## HOW WE MONITOR

- Earnings per share
- Dividends paid
- Total shareholder return
- ESG metrics
- External ESG ratings
- Voting results from Annual General Meetings

## OUTCOMES

- Development of capital allocation and dividend policy
- Development of ESG strategy
- Supportive, long-term shareholder base
- Access to funding



## COMMUNITIES AND THE ENVIRONMENT

### WHY WE ENGAGE

We recognise the important role that each of our businesses play in their local communities, and we actively encourage our businesses to support local initiatives and charitable causes. Equally, our businesses take pride in the contribution that they make to their local communities, both as a local employer and in the work they do to support good causes. We also recognise the impact of our business on wider society and our responsibility to contribute to a sustainable future for all.

### HOW THE BUSINESS ENGAGES

- Our community investment policy sets out our commitment to support selected charitable causes with a focus on the military and armed services, STEM-related initiatives and those linked to the local communities in which our businesses operate
- Each business has its own locally held charity budget and at a Group level charitable donations are considered by the Executive Committee
- In addition to making cash donations, we also encourage and support employees who undertake voluntary work in the local community
- Our people across the Group 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
- Sponsorship through the Horizons Bursary Scheme run by the Institution of Engineering and Technology, which provides financial support during degree study for students who have faced or continue to face adversity whilst they study. These students are all studying STEM degree courses which are relevant to the disciplines required within Chemring
- Social clubs and hosting events for employees, their families and local organisations
- Implementation of environmental and carbon reduction initiatives

### HOW THE BOARD ENGAGES

- Development of ESG strategy, objectives and targets subject to Board oversight
- The ESG Committee, chaired by the Group Chief Executive, reports regularly to the Board on ESG-related matters
- ESG-related targets included in the senior leadership annual bonus plan and long-term incentive plan

### HOW WE MONITOR

- Charitable donations
- Environmental performance indicators
- External ESG ratings

### OUTCOMES

- Development of ESG strategy
- Informed communities
- Contribution to local businesses and employment
- Contribution to wider society
- Sustainable business operations

## GOVERNING BODIES AND REGULATORS

### WHY WE ENGAGE

Our businesses operate in highly regulated environments, and we need to ensure that we maintain our licences to operate and continue to run our businesses in full compliance with all laws and regulations. We also need to keep ahead of planned regulatory developments which may impact our operations in future.

### HOW THE BUSINESS ENGAGES

- Maintenance of a regular dialogue with contacts within governments and at our regulators
- Participation in industry working groups and trade representative bodies
- Consultation with local governing bodies on planned business developments and investments

### HOW THE BOARD ENGAGES

- Board oversight of our Code of Conduct, our Operational Framework and the associated assurance processes ensures our businesses are meeting governmental and regulatory requirements
- Interaction with the US Board's Government Security Committee provides assurance to the Board that the business is operating in accordance with our Special Security Agreement

### HOW WE MONITOR

- Regulatory changes
- Compliance statistics
- Safety-related capital investment

### OUTCOMES

- Ethical and compliant business conduct
- Trusted supplier to government customers
- Government support for proposed acquisitions and investments
- Sustainable business operations



## INTRODUCTION TO SUSTAINABILITY

# Continuing our commitment to a sustainable future



**Michael Ord**  
Group Chief Executive and  
Chairman of the ESG Committee

**“Chemring is committed to operating its business responsibly and creating long-term sustainable value. Our Group-wide approach is based on safe, ethical and values-driven practices at all times.”**

## PURPOSE

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

## VISION

To be our customers' preferred supplier operating in niche markets with high barriers to entry and where we enjoy sole source or market-leading positions.

Both enhancing and ensuring our sustainability efforts are transparent and accurate is crucial in our current operations and future planning, particularly in managing ESG risks. We understand the growing importance of our ESG standing in attracting and keeping top-tier talent. Having engaged, driven, capable and well-trained staff is essential to our future ambition.

As we advance our sustainability strategy, we are dedicated to clear policies and promoting a culture where individuals take responsibility for their own ethical actions. This extends beyond us being a reliable partner and maintaining our own high standards to ensuring our suppliers also meet these expectations.

## OUR APPROACH TO SUSTAINABILITY

A proactive and involved stance on corporate responsibility and sustainability is key to Chemring's enduring success. Our approach is focused around the following key areas:

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

Our approach to corporate responsibility and sustainability is embedded within the business units and all senior leaders have specific objectives in the areas identified within their annual incentive plans.

## PROGRESS IN 2024

Chemring's purpose is to help make the world a safer place. The escalation of tensions around the world, have reinstated the vital role that the defence and security industry plays in supporting peace, democracy and freedom in the western world. We believe that global stability is crucial for sustainable development, and we are proud of Chemring's contribution. We are also committed to advancing our sustainability agenda and engaging our ESG-related risks. In 2022, our efforts in this area were recognised externally as MSCI gave us a rating of AAA, and this was reconfirmed in 2024, putting us in the top 3% of the Aerospace and Defence sector.

ESG is integrated into our daily operations and long-term planning. Across the Group, it continues to be proactively managed through our ESG Committee, is discussed as a standing agenda item at the Group Executive Committee meeting and included in the monthly reports of all our business units.

The majority of our businesses have well-established and fully-developed environmental management systems and have undertaken numerous local initiatives and projects to improve sustainability and reduce environmental impacts from our operations. All of our businesses have implemented energy-related projects or initiatives, with over 80% completing one or more projects this year. These projects ranged from improvements and upgrading of heating, cooling, manufacturing processes, lighting and insulation systems throughout the business, to enhancements in the electrification of processes, equipment and vehicles.

In 2024, we deployed a new environmental data collection and reporting system. With the rollout of this upgraded software solution, we have further improved the accuracy and transparency of our environmental sustainability data. This has allowed us to focus more on waste management at our sites, resulting in 86% of all our waste being diverted from landfills or incineration.





## TOTAL MARKET-BASED SCOPE 1 AND 2 EMISSIONS

### CO<sub>2</sub>e emissions (tonnes)



In 2021, we outlined our intention to target net zero for scope 1 and 2 emissions by 2030. Following Russia's invasion of Ukraine in February 2022 and in response to rising geopolitical tensions and customer demand, in 2024 we took the decision to invest £200m in our three Energetics manufacturing facilities in Scotland, Chicago and Norway. This investment will significantly increase capacity and production at all three sites. Consequently, our previous ambition to be net zero by 2030 no longer aligns with the future size and scale of our operations. We have therefore revised our target and adjusted our ambition to achieve net zero by 2035.

In 2024, we continued to make good progress. For our environmental ambitions, we aim to reduce our overall scope 1 and scope 2 market-based greenhouse gas ("GHG") emissions by 10% year on year. We have now reduced our scope 1 and scope 2 market-based GHG emissions by 30% against our restated 2021 base year emission figures.

As part of our wider sustainability strategy, two of our businesses joined the JOSCAR programme this year. JOSCAR Zero is a pioneering decarbonisation programme developed by Helios Information. JOSCAR Zero collects, measures and identifies how carbon emissions can be reduced across supply chains. This initiative empowers companies to systematically reduce their carbon footprint, implement sustainable practices and work towards net zero carbon operations. JOSCAR Zero was developed in response to the Government's pledge to a 100% reduction of greenhouse gas emissions by 2050, marking a significant milestone in the defence, aerospace and security industry's ongoing commitment to achieving net zero by 2050.

With increased disclosure, accuracy in data reporting is crucial. We continue to have an auditable framework for emissions reduction, verified by external experts and reported to the Audit Committee.

The Board and the ESG Committee have focused on actively managing the sustainability agenda to meet the targets set in 2021. They continuously review the progress and methods used to achieve these targets. In 2024, an addition to the capital expenditure programme reviews was introduced, ensuring that environmental challenges and targets are considered at the beginning of the investment to support sustainable future operations.

Furthermore, we have continued our work on our Climate Transition Plan in line with the current Transition Plan Task Force ("TPT") guidance.

Chemring is committed to ensuring that we are able to attract and develop an appropriately diverse workforce. Chemring strives for diversity on a broad basis including gender, age, background, education, disability, neurodiversity and nationality (within the constraints of our regulatory requirements) and this diversity brings a more agile, engaged and higher-performing workforce. We see a diverse workforce as a key enabler for continuing to innovate our products and services for our customers.

The Board has played an active role in supporting our diversity, equity and inclusion ("DE&I") activity with Board members taking part in various employee round-table discussions and networking events. Laurie Bowen, non-executive director and Remuneration Committee Chair, is tasked with employee engagement for the Board. For the fourth consecutive year, Laurie has connected with colleagues across the Group, at a variety of levels and in differing roles, focusing on business units experiencing change and transformation. Laurie was able to hear directly from these groups their views on working at Chemring, as well as being able to share with them the work of the Board. The groups identified specific opportunities to improve, which were openly and constructively communicated and summarised to the leadership team for action as part of their local employee engagement action planning process.

Our local business diversity Employee Resource Groups ("ERGs") are helping us to understand "what good looks like" in many areas of the inclusion agenda; one size does not fit all.

To cultivate a diverse and broad workforce, we tap into various internal and external talent pipelines. We recruit from a wide array of external channels, targeting direct hires for critical areas in the business, as well as aspiring professionals early in their career journey. In 2024, we also partnered with organisations such as Women in Defence and attended the Defence Women's Network Conference to meet potential talent looking for roles in our industry.



**INTRODUCTION TO SUSTAINABILITY** continued**Continuing our commitment to a sustainable future** continued**PROGRESS IN 2024** continued

Our workforce is the driver of our success, and we aim to put the employee experience at the forefront of our decision making. Our external talent markets remain extremely competitive and therefore the engagement and retention of our workforce is a people imperative. Listening to all colleagues is essential to understand what is important to our workforce, and since this will differ across our global organisation, in 2024, we moved to using local listening tools and technologies to ensure they gathered the specific “Local Accent”. This enables the tools used locally to be tailored to the local cultures, contexts, environments and working practices, and ensures that the action taken is effective and impactful to that employee group.

Our ESG strategy over the current and future years will seek to identify those areas where our activities can have most impact. Plans are now in place to continue this journey, and to ensure that we meet the growing disclosure requirements of our stakeholders and demonstrate our ability to successfully address ESG-related issues.









We will also continue to work with our advisers and shareholders to identify how we can constructively feed into and inform the debate on the future of ESG reporting and the creation of a common set of standards against which we can be measured. Chemring is now a business whose evolving purpose is innovating to protect, and with that we are focused on protecting our customers, people, platforms, missions and information.









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





## OUR SUSTAINABILITY GOALS

	SUSTAINABILITY OBJECTIVES	SUPPORTIVE ACTIONS AND ACTIVITY	FURTHER INFORMATION
<b>ENVIRONMENTAL</b> Respecting and protecting our planet by actively seeking ways to reduce our environmental impact   	<ul style="list-style-type: none"> <li>Reduce our impact on the environment and build resilience to climate change by focusing on energy, waste and water, and by understanding the impact of global climate change on our operations</li> <li>Challenge our business unit leaders to improve operational, resource and energy efficiency and to minimise environmental impact</li> <li>Invest in support of product development and production techniques that meet our customers' needs and support their environmental goals</li> </ul>	<ul style="list-style-type: none"> <li>Chemring will be net zero by 2035 (scope 1 and scope 2 market-based)</li> <li>Chemring is working towards being a scope 3 net zero organisation by 2050 and is committed to supporting its value chain</li> <li>We will reduce our total direct (scope 1) and indirect (scope 2) GHG emissions year-on-year</li> <li>We will continue to focus our efforts on reducing energy consumption and on embracing green technology</li> <li>We will target zero waste to landfill by 2030</li> </ul>	<b>&gt; ENVIRONMENT ON PAGES 48 TO 51</b>
<b>SOCIAL</b> The safety, wellbeing and development of our people is at the heart of our business   	<ul style="list-style-type: none"> <li>Maintain the highest standards of safety and the wellbeing of our workforce</li> <li>Ensure that, in support of our wider commitment to ethnic and gender diversity, our workforce represents the diversity of the local communities we operate in</li> <li>Implement effective policies and procedures and continually invest in support of operational excellence and the development of our people</li> <li>Promote inclusion and diversity at all levels</li> <li>Promote fair employment and skills development</li> </ul>	<ul style="list-style-type: none"> <li>We will set a recordable injury frequency rate limit of below 0.90 in line with upper quartile benchmark performance</li> <li>We will continue to reduce the risk of high-hazard events</li> <li>We will increase the proportion of women in all senior management positions across the business to 33% by 2027</li> </ul>	<b>&gt; HEALTH AND SAFETY ON PAGES 46 TO 47</b> <b>&gt; OUR PEOPLE ON PAGES 61 TO 65</b>
<b>GOVERNANCE</b> Conducting business in an ethical and responsible manner at all times  	<ul style="list-style-type: none"> <li>Operate with integrity and transparency and to the highest ethical standards across all our businesses</li> <li>Ensure the highest standards of product safety and comply with all relevant standards</li> <li>Promote a culture where everyone does the right thing and takes personal responsibility for their actions</li> <li>Actively seek to increase representation of ethnicity and gender on our Board, within our leadership teams and across all our localities</li> <li>Protect information security and data privacy</li> <li>Maintain prudent and responsible financial and tax planning and management</li> </ul>	<ul style="list-style-type: none"> <li>We will aim to maintain compliance with the UK Listing Rules on gender and ethnic diversity on the Board</li> <li>All Chemring employees and third parties acting on our behalf must comply with the Chemring Code of Conduct, wherever they are located in the world</li> </ul>	<b>&gt; ETHICS AND BUSINESS CONDUCT ON PAGES 66 TO 67</b>

GOAL	DESCRIPTION
 <b>Good health and wellbeing</b>	Ensure healthy lives and promote wellbeing for all at all ages
 <b>Gender equality</b>	Achieve gender equality and empower all women and girls
 <b>Affordable and clean energy</b>	Ensure access to affordable, reliable, sustainable and modern energy for all
 <b>Decent work and economic growth</b>	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
 <b>Reduced inequalities</b>	Reduce inequality within and among countries
 <b>Responsible consumption and production</b>	Ensure sustainable consumption and production patterns
 <b>Climate action</b>	Take urgent action to combat climate change and its impacts
 <b>Peace, justice and strong institutions</b>	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels





## HEALTH AND SAFETY

# Establishing a strong health and safety culture

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

## POLICIES AND PRACTICES

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

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

The Group Chief Executive reports monthly to the Board on all key HSE KPIs.

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

Managers and supervisors in the Group's businesses are required to ensure compliance with procedures, and to provide leadership and commitment to promote and embed a solid calculative culture. The Board emphasises the importance of individual responsibility for health and safety at all levels of the organisation, and expects employees to report all hazards, to be involved in implementing solutions and to adhere to the Fundamental Safety Principles, which are underpinned by local rules and procedures.

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

## CONTROL OF MAJOR ACCIDENT HAZARDS

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

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

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

## ACHIEVEMENTS

This year has seen a continued focus on developing the group into a solid calculative organisation, ensuring our systems drive data-informed discussions and decision making at all levels, with particular focus on:

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

Actions taken in delivering the HSE plan included:

- continued roll out of asset integrity management systems;
- assurance reviews confirming the implementation of the electrostatic discharge protocols; and
- assurance reviews confirming the deployment of the Fundamental Safety Principles supported by the Leadership Guide and the provision of training.

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

We continue to share best practice through the Technical Safety Committee, the Technical Learning Group and our quarterly "Shared Learning" events.

## INJURY PREVENTION

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

This year, we have continued to analyse the reporting data aligned to our HSE strategy, people, plant, process and organisation, which has given us a better understanding of the root causes of our incidents and the contributory causal factors, which in turn has influenced our assurance activity. The data has reconfirmed trends regarding musculoskeletal injuries, due to the manual handling nature of some of our processes, and identified slips, trips and falls as areas requiring continued focus. The relevant businesses continue to manage these risks whilst considering further automation.

## HSE RISK MANAGEMENT

Safe delivery of our business continues through the management of risk and is built around understanding our hazards, and establishing clear expectations and consistency. Our HSE Management System Framework Standard puts our HSE policy into practice by setting standards on nine core elements across the Group, to drive a robust and common approach to the management of HSE. Each business within the Countermeasures & Energetics sector is audited annually to ensure compliance, with high-priority non-compliances reported and monitored at Executive Committee level. The changes made in 2022 to our Operational Assurance Statement process continue to help the businesses focus on compliance with the HSE Framework, which in turn provides useful insights when planning the Line of Defence 2 ("LOD2") audits.





## OUR HSE PERFORMANCE

We measure our HSE performance to reflect both occupational and process safety. In doing so we have several data points, one of which is an external review of our prevailing safety culture. This year, we invited back a team of third party experts to review our progress. The results were presented to the Board in December 2024 and confirmed we had established a solid calculative safety culture across the group. As a Group of companies we are pleased that we achieved our 2024 ambition of demonstrating we have systems and processes that generate data-informed discussions and decision making at all levels otherwise known as a calculative safety culture. 2025 will be spent consolidating, whilst understanding our roadmap to becoming proactive.

### OCCUPATIONAL SAFETY

Our total recordable injury frequency ("TRIF") rate is 0.69, a decrease when compared to last year and at the end of 2024 was remaining below our annual limit of 1.0. From 1 November 2024, our annual limit has reduced to 0.90.

Most injuries were caused by slips, trips and falls, or were musculoskeletal in nature.

We focus not only on actual injuries but also hazards and near miss events. We therefore place an emphasis on near miss and hazard reporting as a leading indicator of our maturing safety culture. This year, we had 3,090 occupational safety near miss and hazard reports, compared to 3,097 in 2023. We had a total of 14 high-potential ("HIPO") incidents compared to 12 last year. The increase in HIPO incidents has been due to increased contractor activity in support of our expansion programmes. We are embedding the learning from these incidents into the organisation through quarterly Shared Learning reviews with all business leaders and increased use of Safety Alerts, not only to share incident learning but also to promote good practice.

### PROCESS SAFETY

In addition to our reactive metrics, we also measure process safety near miss events, with a total of 1,408 recorded in 2024 compared to 1,559 in the previous year. Near miss reporting is crucial if we are to understand and prevent incidents, which is why we encourage all our employees to Stop, Warn and Inform so we can Manage any emerging risks. The slight decrease in near miss reporting is still representative of a healthy reporting culture given the reduction in level 2 and 3 process safety events ("PSEs"). During 2024, we continued to consolidate the reporting of our leading indicator for PSEs, which are categorised as level 1, 2 and 3, with 3 being the event with the most serious potential. We set a limit of below 2.0 for PSEs at level 2 and 3 per 100 production employees. This year we exceeded our PSE limit of 2.0 with a PSE rate of 2.09 but were able to demonstrate a significant decrease when compared to 2.87 in 2023. Having reviewed the data, we believe this is down to improved reporting and a better understanding of upset conditions, and higher levels of data assurance with PSE events reviewed on a regular basis. It should be noted that for the second year running there have been no injuries associated with energetic events.

### HSE STRATEGY FORWARD OUTLOOK

In the first half of 2024, we continued to focus on maturing the plant and process elements of our strategy through the continued delivery of key programmes such as the Asset Integrity Management Maintenance Systems and Electrostatic Discharge ("ESD") Protocols. Towards the end of the year, we continued our focus on the people element of our strategy by further embedding our Fundamental Safety Principles, with significant focus on every employee's duty to Stop, Warn, Inform, Manage ("SWIM"). These themes will remain our priority throughout 2025.

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



## PURPOSE IN ACTION

### SAFE AND READY TO OPERATE PROCEDURES

In 2023, we launched the Fundamental Safety Principles as part of our organisation-wide Journey to Zero Harm and we continue to embed these across the organisation.

Operator awareness of critical control points ("CCPs") and risk assessment ("RA") for manufacturing processes is integral to maintaining safety in high-hazard operations. Chemring Countermeasures UK has introduced a Safe and Ready to Operate ("SARTO") procedure to support this.

SARTO is a one-page startup check sheet that requires the operator to read their RA daily. It has two pre-filled boxes with a selected hazard and one of the controls in place for the hazard. It then asks the operator to confirm the control is in place and in good working order. It also asks the operator to choose one hazard and a corresponding control and write it into the blank third box. The operator then checks against this to confirm it is in place and understood.

On top of the RA control check, the SARTO form also has a bay layout with an icon showing where standard CCPs are. The operator checks against these and ticks the icon if the control is present and in good working order.

How has this helped?

One occurrence that really stands out is when an operator, who wouldn't usually speak up in a crowd, had the confidence to approach the Manufacturing Cell Leader identifying a potential issue and pausing operations.



## ENVIRONMENT

# Continuing to reduce our environmental impact

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

## OUR COMMITMENT

In 2021, we committed to reduce our total direct and indirect greenhouse gas ("GHG") emissions year-on-year. In this report we include information on our climate-related risks and opportunities in alignment with the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"). We have made good progress on our goals, with an overall 30.0% reduction in scope 1 and market-based scope 2 emissions from our 2021 figures, and we have achieved a 13.0% year-on-year reduction in 2024. We continue to make our Carbon Disclosure Project ("CDP") submissions and we have developed the quality and range of scope 3 carbon emission data that we report on, with a clear path to reporting all material scope 3 emissions. This work is overseen by our ESG Committee with regular progress reports to the Board.

We have adjusted our GHG emission net zero target to reflect evolving circumstances and while the target date has shifted, our commitment and ambition to ensure we meet our net zero target remains steadfast. This adjustment allows us to strengthen our strategy and ensure a realistic, achievable and transparent GHG emission reduction in line with our adjusted timeline of 2035.

## INTRODUCTION

Our environmental performance information is presented in accordance with the Streamlined Energy and Carbon Reporting ("SECR") Guidance (March 2019), as specified under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. Data is presented for our financial year, from 1 November through to 31 October, and includes information on significant environmental aspects: energy consumption; associated GHG emissions; freshwater use; and waste generation. Our GHG emissions calculations are undertaken in accordance with the GHG Protocol Corporate Accounting and Reporting Standard as outlined in our basis of reporting document; this can be found on the Group's website at [www.chemring.com/basisofreporting24](http://www.chemring.com/basisofreporting24).

## OUR APPROACH

We are actively seeking ways to reduce our impact on the environment and build resilience to climate change by focusing on energy and waste, and understanding the impact of global climate change on our operations. These focus areas are periodically reviewed by our ESG Committee and are expanded on each year in line with broader sustainability goals and reporting guidelines. In 2024, we completed the implementation of a new corporate sustainability software solution, to aid our business units in measuring and recording their GHG emissions. The new platform supports the business units with various capabilities that help ensure increased accuracy of our GHG emission data across scopes 1, 2 and 3.

## OUR STRATEGY

- Our strategy is to reduce our global GHG emissions through improving efficiency to reduce consumption and waste.
- Scope 1 associated emissions are being addressed through the adoption of green fuels and upgrading of facilities and equipment to be more efficient or to use alternative greener energy sources.
- Scope 2 associated emissions are being addressed by implementing energy efficient practices and upgrading facilities to aid in energy efficiency. We are also using certified renewable energy through the acquisition of verified Renewable Energy Guarantees of Origin, Guarantees of Origin and Renewable Energy Certificates.
- Scope 3 emissions tracking continues to be developed and explored to ensure we have a clear understanding of these emissions, so that we can plan a clear and effective route to becoming a net zero organisation by 2050.

## IMPROVEMENTS IN 2024

- Reclaimed refrigerant used where possible to reduce CO<sub>2</sub>e emissions to atmosphere.
- Removal of LPG heating systems estimated to save 200 tCO<sub>2</sub>e emissions per annum and save 168 MWh of energy through the installation of new efficient electric heating system.
- General upgrade to buildings and refurbishment to improve energy efficiency for heating and lighting at multiple locations reducing energy use and CO<sub>2</sub>e emissions.
- LED lighting replacement ongoing across the organisation.
- Passive infra-red sensor ("PIR") light controller installation ongoing across the organisation.
- Steam line insulation lagging replacement project is ongoing and will reduce energy use and CO<sub>2</sub>e emissions.
- Continued HVAC systems upgrades will reduce energy use and CO<sub>2</sub>e emissions.

## REPORTING

As per our 2023 basis of reporting, Chemring uses a fixed base year (2021), which is a reference point with which current emissions can be compared. In order to maintain consistency between data sets, base year emissions are recalculated when structural changes occur in the Group that materially change our tCO<sub>2</sub>e figures, such as acquisitions or divestments. As such, we have restated the 2021 base year figures, which has resulted in total scope 1 and 2 market-based emissions increasing to 21,646 tCO<sub>2</sub>e (previously published at 20,684 tCO<sub>2</sub>e) and this figure has been reassured by ERM CVS, an independent third party organisation. All references to 2021 base year figures in the annual report refer to restated figures.

From 1 November 2024, we will be transitioning from a fixed base year methodology for reduction target and calculation to a rolling base year methodology.

## CLIMATE CHANGE RESILIENCE

We recognise that climate change has the potential to have an impact on our operations, having experienced flooding from a severe weather event at our Tennessee facility in 2018 and wildfires in areas surrounding our Australia operations in 2019. In 2024, we have further developed our climate-related scenario analysis to ensure our scenarios are accurate and up to date with the latest data. To this end we have a significantly more detailed TCFD report this year. We are regularly reviewing the physical and transition risks of global climate change on our operations and supply chain.

## ENERGY USE AND ASSOCIATED GHG EMISSIONS

Each year we review and update our carbon reduction plans in all our businesses to aid achieving our target of becoming a net zero organisation for scope 1 and scope 2 market-based GHG emissions by 2035.

Location	Scope 1	Scope 2 (location-based)	Scope 2 (market-based)
UK operations	83.4%	19.5%	0.4%
US operations	12.6%	68.3%	89.8%
Norway operations	2.6%	4.0%	9.8%
Australia operations	1.4%	8.2%	0.0%
	100.0%	100.0%	100.0%

In 2024, we achieved a 13.0% reduction in scope 1 and scope 2 market-based GHG emissions, from 17,430 tCO<sub>2</sub>e in 2023 to 15,161 tCO<sub>2</sub>e in 2024.

Location-based emissions have decreased by 8.4% in 2024, compared to 2023. When normalised for gross revenue, market-based scope 1 and 2 emissions reduced 18.0%, from 36.2 tCO<sub>2</sub>e to 29.7 tCO<sub>2</sub>e per £m of revenue.



	2024			2023		
	UK	US, Norway, Australia	Group total	UK	US, Norway, Australia	Group total
<b>Scope 1 emissions – continuing operations</b>						
Combustion of fuel in any premises, machinery or equipment operated, owned or controlled by the Group						
<b>CO<sub>2</sub>e (tonnes)</b>						
Gas	4,488	371	4,859	4,807	485	5,292
Heating oil	429	—	429	1,070	460	1,530
Bio fuels	2	—	2	2	—	2
Diesel	6	163	169	—	—	—
Kero	707	—	707	—	—	—
LPG	32	66	98	49	186	235
Fuels consumed by Group-owned and leased vehicles, excluding business travel and employee commuting						
<b>CO<sub>2</sub>e (tonnes)</b>						
Diesel	102	23	125	73	76	149
LPG	—	—	—	—	25	25
Petroleum	3	191	194	2	217	219
The operation or control of any manufacturing process by the Group						
<b>CO<sub>2</sub>e (tonnes)</b>						
On-site waste incineration	25	133	158	23	225	248
Refrigerants discharged	74	224	298	2	211	213
<b>Total scope 1 emissions CO<sub>2</sub>e (tonnes)</b>	<b>5,868</b>	<b>1,171</b>	<b>7,039</b>	<b>6,028</b>	<b>1,885</b>	<b>7,913</b>
<b>Scope 2 emissions – continuing operations</b>						
<b>Total emissions CO<sub>2</sub>e (tonnes)</b>						
Electricity – location-based	2,655	10,984	13,639	2,483	12,174	14,657
Electricity – market-based	35	8,087	8,122	—	9,517	9,517
<b>Total scope 1 and 2 emissions – continuing operations</b>						
Location-based CO <sub>2</sub> e (tonnes)	8,523	12,155	20,678	8,511	14,059	22,570
Market-based CO <sub>2</sub> e (tonnes)	5,903	9,258	15,161	6,028	11,402	17,430
<b>Total energy consumption (MWh)</b>	<b>43,464</b>	<b>84,268</b>	<b>127,732</b>	<b>44,581</b>	<b>86,151</b>	<b>130,732</b>

We engaged ERM CVS to provide independent limited assurance of our 2021 total scope 1 and 2 market-based and our 2024 total scope 1 and total scope 2 location-based GHG emissions data as well as total scope 2 market-based GHG emissions data. Their Independent Assurance Report can be found on pages 14 to 15 of our sustainability report 2024. The basis of reporting document can be found on the Group's website at [www.chemring.com/basisofreporting24](http://www.chemring.com/basisofreporting24).

	2024	2023
Total scope 1 and scope 2 emissions CO <sub>2</sub> e (tonnes) – location-based	20,678	22,570
Total scope 1 and scope 2 emissions CO <sub>2</sub> e (tonnes) – market-based	15,161	17,430
Group revenue (£m)	510.4	481.9
<b>Total CO<sub>2</sub>e (tonnes) per £m of revenue – location-based</b>	<b>40.5</b>	<b>46.8</b>
<b>Total CO<sub>2</sub>e (tonnes) per £m of revenue – market-based</b>	<b>29.7</b>	<b>36.2</b>

## ENERGY EFFICIENCY

In 2024, we continued the move to electrification of our operations and improved the energy efficiency of our operations with a 11.6% reduction of non-electrical energy coming from fossil fuels compared to 2023. We also made good progress in ensuring our electrical energy usage came from certified renewable energy sources, with an increase from 70% in 2023 to 78% in 2024.

Electrical Energy	UK	US	Norway	Australia	Total
Electricity	13,352	25,423	53,153	1,711	93,639
Renewable electricity	13,257	7,200	50,496	1,711	72,664
Percentage of electricity from renewable sources	99%	28%	95%	100%	78%
Total energy usage MWh	43,464	28,315	53,910	2,043	127,732



## ENVIRONMENT continued

## Continuing to reduce our environmental impact continued

## SCOPE 3 CARBON EMISSIONS DATA COLLECTION

This year, we have expanded the collection of a subset of scope 3 emissions in categories 1,3,4,5,6, and 7:

- **Category 1** Purchased goods and services; currently we collect data for water supply only.
- **Category 3** Energy and fuel-related activities.
- **Category 4** Upstream transportation and distribution.
- **Category 5** Waste generated in operations and waste disposal.
- **Category 6** Business travel.
- **Category 7** Employee commuting.

Category	Tonnes CO <sub>2</sub> e UK	Tonnes CO <sub>2</sub> e US, Norway, Australia	Tonnes CO <sub>2</sub> e Group total
1 Water supply	16	14	30
3 Energy and fuel-related activities	988	2,912	3,900
4 Upstream transportation and distribution	4,380	63	4,443
5 Waste generated in operations and waste disposal	21	252	273
6 Business travel	603	164	767
7 Employee commuting	617	1,454	2,071

We are reviewing the following categories and expect to start data collection during FY25:

Category	Coverage
1 Purchased goods and services	Global
2 Capital goods	Global



## PURPOSE IN ACTION

## CHEMRING COUNTERMEASURES USA ACHIEVES 85% LANDFILL AVOIDANCE

In 2023, the team at Chemring Countermeasures USA ("CCM USA") in Toone, Tennessee, reached an 85% landfill diversion rate. This exceeds their target of 75% landfill avoidance, largely due to the efforts of Willie Thomas, Environmental Manager, and his "Green Team". This means that 85% of the non-specialised waste generated at the site is now being diverted away from landfill to be reused, repurposed or recycled.

Over the past 12 months, CCM USA has undergone a significant transformation in terms of waste management with the support of Doxicom Global, a waste management consultancy based in Jackson, Tennessee.

Where there was once a waste compactor and a fleet of 32 8-yard skips, or dumpsters, there are now just two 8-yard skips at the Toone facility for the remaining 15% of waste. The other 85% of waste that would have gone to landfill is now diverted to be reused, repurposed or recycled.





## WATER CONSUMPTION

In 2024, we used a total of 941,294m<sup>3</sup> of freshwater. This is an increase from 2023 of 34,670m<sup>3</sup>; however, this increase in water use is due to increased production in Norway and Australia. The UK and US business units have made a significant combined reduction of 22.7% from 2023 usage through improved leak detection and the repair of water pipes.

None of our operations are in water-stressed regions as defined by the United Nations. Our Australian facility continues to collect and use rainwater that falls on the site for facility needs.

	2024			2023		
	UK	US, Norway, Australia	Group total	UK	US, Norway, Australia	Group total
<b>Freshwater (m<sup>3</sup>)</b>						
Freshwater use	170,866	770,428	941,294	236,288	670,336	906,624

## WASTE GENERATION

In 2024, to improve reporting accuracy and transparency we implemented a new recording system for waste collection. As a result, we have captured more data around our waste stream. This has resulted in an increase in our reported waste production across the business units. Of our waste production, only 14% was either sent to landfill or for incineration. This is a 21.3% reduction from 2023.

	2024			2023		
	UK	US, Norway, Australia	Group total	UK	US, Norway, Australia	Group total
<b>Waste (tonnes)</b>						
Recycled, non-hazardous	2,188	290	2,478	134	333	467
Recycled, hazardous	126	1,889	2,015	40	1,271	1,311
Not recycled, non-hazardous	4	387	391	176	335	511
Not recycled, hazardous	10	352	362	117	359	476
<b>Total waste (tonnes)</b>	<b>2,328</b>	<b>2,918</b>	<b>5,246</b>	<b>467</b>	<b>2,298</b>	<b>2,765</b>

At our Countermeasures & Energetics businesses, we generate unique waste which is often best managed by destroying it at on-site treatment facilities.

With respect to waste management there are two priority areas: the reduction of waste generation and the reduction of waste sent to landfill. To help improve in these areas we are engaging with our end destinations of waste to ensure it is processed and treated by the best available method to ensure as little as possible goes to non-beneficial landfill. We aim to update our waste reduction plans as more detailed data from this engagement becomes available.

## LAND QUALITY

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

During the year, we incurred costs in connection with environmental remediation of the sites of the munitions businesses formerly owned by the Group in Belgium and Italy in accordance with the terms of sale of those businesses. The Group increased its provision by £6.4m in relation to environmental remediation for the site of the business formerly owned in Italy following progress in developing a remediation plan for submission to the local regulator. This is included within disposal provisions of £14.6m as at 31 October 2024. The Group also carries a £3.3m (2023: £3.5m) provision in respect of other environmental liabilities, which the Board considers to be adequate (see note 24).



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

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

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

We consider our disclosure to be consistent with the Climate-related Financial Disclosures (“CFD”) and all the TCFD Recommendations and Recommended Disclosures including section C of the 2021 TCFD Annex entitled “Guidance for All Sectors” and section E of the TCFD Annex entitled “Supplemental Guidance for Non-Financial Groups” excluding full completeness of scope 3 emissions (we currently report several

categories in scope 3 but not all). We are continuing to embed the relevant capabilities across the organisation to track and disclose the complete data sets and metrics. In 2025, we will continue to develop our reporting of all scope 3 categories.

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

We are developing our Net Zero Transition Plan in line with the latest industry guidance from the Transition Plan Taskforce (“TPT”). It is important to highlight that the guidance is still evolving and our industry is ever changing to align with global climate change goals and commitments. As such, our Net Zero Transition Plan is not finalised and we will continue to build and refine it to ensure that it fully addresses the latest industry guidance. We intend to share our Transition Plan in our annual report in 2025. We will update the Net Zero Transition Plan every three years and report progress on our climate targets annually through our annual report.

GOVERNANCE

<b>BOARD OVERSIGHT OF CLIMATE-RELATED RISKS AND OPPORTUNITIES</b>	<p>The Board is responsible for overseeing climate-related risks and opportunities in delivering the Group’s strategy and running the Group’s operations. The Group Chief Executive is the Board director responsible for sustainability across the Group which includes climate-related risks and opportunities. The Board reviews the Group risk register as a scheduled agenda item every six months, in which both physical and transitional climate-related-risks and opportunities are considered. Progress of our decarbonisation strategy is embedded within our senior executives’ remuneration.</p> <p>The ESG Committee ensures that appropriate climate and environmental systems are in place and incentives are set as necessary to aid the reduction in the Group’s environmental impact. Other elements, including associated action plans, capital expenditure and budgeting and financial planning related to targets, are overseen and reviewed by the Board.</p> <p>&gt; <b>FURTHER DETAIL INCLUDED ON PAGE 90</b></p> <p>During 2024, the Board and the ESG Committee continued to receive updates on the development of our net zero targets, aiming for scope 1 and 2 by 2035 and scope 3 by 2050. They also reviewed initiatives to increase the usage of green energy sources, reduce energy consumption and enhance energy efficiency, alongside improvements in the Group’s capability to monitor and measure carbon emissions, with a focus on better data quality and transparency for reporting.</p> <p>The Board recognises that to meet our net zero goals we need to have a more robust and developed system to ensure accurate data collection and monitoring, as well as strong working relationships with our supply chain.</p> <p>&gt; <b>FURTHER DETAIL ON PAGES 48 TO 51</b></p>
<b>MANAGEMENT’S ROLE IN ASSESSING AND MANAGING CLIMATE-RELATED RISKS AND OPPORTUNITIES</b>	<p>The Group ESG Committee (consisting of members of the Group’s Executive Committee) facilitates and ensures a centralised approach to sustainability across all our businesses. The Committee is chaired by the Group Chief Executive and has oversight of all the Group’s ESG-related activity including that of assessing and managing climate-related risks and opportunities.</p> <p>&gt; <b>FURTHER INFORMATION ON OUR GOVERNANCE STRUCTURE CAN BE FOUND ON PAGE 90</b></p> <p>The Group Chief Executive, informed by the ESG Committee, is responsible for ensuring that the Board is updated regularly on all key matters including the impact of climate-related issues. Members of the ESG Committee are informed through their respective departments on matters relevant to climate-related issues.</p> <p>Executive directors and members of the senior leadership team within the Group are incentivised to achieve the Group’s carbon reduction targets through their annual bonus and long-term incentive plan as detailed in the directors’ remuneration report.</p> <p>The organisational structure is further detailed opposite, highlighting the reporting process from local business units to the Board, ensuring that climate-related risks are effectively communicated and managed.</p>



## STRATEGY

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

#### MANAGEMENT'S ROLE IN ASSESSING AND MANAGING CLIMATE-RELATED RISKS AND OPPORTUNITIES

#### THE BOARD

The Board oversees climate-related risks and opportunities affecting the Group, incorporating these considerations into the overall strategy, including climate-related expenditures and investments. Certain responsibilities are delegated to Board committees.

Meets at least eight times a year

#### INFORMING

#### REPORTING

#### THE BOARD DELEGATES SPECIFIC ESG, INCLUDING CLIMATE CHANGE, OVERSIGHT TO ITS COMMITTEES

##### RISK MANAGEMENT COMMITTEE

Oversees the implementation of the risk management policy and framework; identifies the principal risks to which the Group is exposed; monitors risk mitigation plans; and maintains the Group risk register.

Meets quarterly

##### EXECUTIVE COMMITTEE

Manages climate-related risks and opportunities, driving the decarbonisation strategy across the business and value chain as part of the integrated business planning process.

Meets bi-monthly

##### NOMINATION COMMITTEE

Manages succession planning, ensuring future skills for both executive and non-executive Board members, with a focus on climate-related expertise.

Meets at least three times a year

##### REMUNERATION COMMITTEE

Determines the remuneration policy, incorporating long-term incentive plan ("LTIP") performance conditions related to climate change and other ESG matters.

Meets at least two times a year

#### INFORMING

#### REPORTING

##### ENVIRONMENTAL, SOCIAL & GOVERNANCE COMMITTEE

Oversees the Group's ESG performance, monitors executive progress in strategically addressing climate transition risks and ensures alignment with objectives and targets.

Meets at least three times a year

##### GROUP HEALTH, SAFETY & ENVIRONMENT DIRECTOR

Responsible for environmental strategy and assurance, including climate-related aspects and the decarbonisation strategy. A key member of the Executive Committee and ESG Committee, providing regular updates on the environmental and net zero programme. Oversees the Environmental Policy, outlining the commitment to addressing environmental impacts, including climate-related issues.

#### INFORMING

#### REPORTING

##### BUSINESS UNIT

The local business units support the implementation of the Group's ESG strategy including the management of climate change risk and are responsible for the day-to-day compliance.

##### SUSTAINABILITY COMMITTEE

Co-ordinates the advancement of decarbonisation ambitions, comprising functional representatives, business leads and environmental specialists. This group reports to the Group Health, Safety & Environment Director.

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

The risks and opportunities associated with climate are reflected in our strategy and plans, and we strive for continuous improvement to reflect our purpose, our growth strategy, the external landscape and the expectations of our stakeholders. Climate risks and opportunities, covering both physical and transitional aspects of climate change, were considered during the year.

Associated time horizons were established as follows:

Transition risk is categorised into short term (0 to 2 years), medium term (2 to 5 years) and long term (5 to 30 years). This framework is designed to align with our internal strategic and financial planning processes, with the short term covering the immediate budget period, the medium term encompassing the remaining detailed financial planning period, and the long term extending beyond these periods. This approach reflects an understanding that climate-related issues often manifest over the medium and longer terms, particularly in terms of their impact on our assets and infrastructure.

Physical risk is classified into short term (up to 2030), medium term (up to 2050) and long term (up to 2100). These time horizons correspond with the scenario analysis conducted for physical risks and are different from the time frames we use for evaluating transition risks, given that significant physical climate risks are not expected to emerge until after 2030 due to the gradual onset of climate impacts.



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

## STRATEGY continued

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

<b>THE IMPACT OF CLIMATE-RELATED RISKS AND OPPORTUNITIES ON CHEMRING'S BUSINESSES, STRATEGY AND FINANCIAL PLANNING</b>	<p>From this analysis, we have identified key risks and opportunities with potential material financial impacts. The Group is committed to managing regulatory, reputational and market risks related to climate change, which are integrated into our financial planning processes. Our capital allocation considers capex for climate initiatives, ensuring alignment with our sustainability objectives and transition process. Climate-related issues can influence both revenues and costs, and we continuously assess their effects on our operations and long-term strategies. This assessment guides our sustainability strategy and aligns our financial planning with our climate objectives, enabling us to effectively respond to emerging risks and take advantage of opportunities during the transition to a low-carbon economy.</p> <p>We have set net zero targets that drive efficiency, innovation and collaboration across the Group. Recognising that our supply chain emissions will be significantly larger than scope 1 and 2 emissions, we aim to monitor and collaborate with suppliers to reduce scope 3 emissions by 2050.</p> <p>Our strategy to reduce carbon emissions encompasses material climate-related risks and opportunities that have the potential to impact our business model and strategy over the short, medium and long term taking into consideration our assets and infrastructure.</p> <p>In the short to medium-term, the resources allocated for achieving our net zero commitment are integrated into our ongoing operational budgets and planned capital expenditures. While some projects set for the medium and long term may fall outside our current capital expenditure framework and will necessitate additional funding, which we have yet to finalise, we are confident that our immediate actions to lower emissions will align with our strategic goals.</p> <p>This approach reflects our commitment to ensuring that climate-related considerations are integrated into our financial planning processes, prioritising risks and opportunities in a way that accounts for their interconnected nature and supports Chemring's long-term value creation.</p> <p>Details of the principal risks and uncertainties which could have a material impact on the Group's business model, strategy, future performance or reputation, of which climate change has been identified as a risk, are covered in the principal risks and uncertainties section on pages 76 to 82.</p> <p>&gt; <b>CLIMATE-RELATED RISKS AND OPPORTUNITIES ARE OUTLINED IN MORE DETAIL ON PAGES 55 TO 59</b></p>				
<b>THE RESILIENCE OF CHEMRING'S STRATEGY, TAKING INTO CONSIDERATION DIFFERENT CLIMATE-RELATED SCENARIOS, INCLUDING A 2°C OR LOWER SCENARIO</b>	<p>The Group uses climate-related scenario analysis to improve understanding of the behaviour of certain risks given different climate outcomes. In 2024, we revisited our scenario analyses and updated our public climate-related scenarios which we deem to be reliable and related to our business operations to aid our understanding of the business' resilience to climate change. The scenarios are as follows:</p> <table border="1"> <thead> <tr> <th>Physical scenarios</th><th>Transition scenarios</th></tr> </thead> <tbody> <tr> <td> <ul style="list-style-type: none"> <li>- RCP 2.6<sup>2</sup>, a stringent mitigation scenario, where global temperature rise is less than 2°C relative to the pre-industrial period (1850-1900) by 2100.</li> <li>- RCP 8.5<sup>2</sup>, an extreme physical risk scenario, where global temperatures rise between 4.1 and 4.8°C by 2100.</li> </ul> </td><td> <ul style="list-style-type: none"> <li>- Net Zero 2050 ("NZE")<sup>1</sup>, outlining a pathway for the global energy sector to achieve net zero CO<sub>2</sub> emissions by 2050, which limits the global temperature rises to 1.5°C by 2100, with 50% probability.</li> <li>- Stated Policies ("STEPS")<sup>1</sup>, outlining a combination of physical and transition risk impacts as temperatures rise by 2.6°C by 2100, with 50% probability.</li> </ul> </td></tr> </tbody> </table> <p>Scenarios have been supplemented with additional sources that are specific to each risk to inform assumptions included in projections. The Group continues to refine its approach to quantitative aspects of this modelling and will report further information as this develops.</p> <p>Assumptions have been made as part of this scenario analysis:</p> <ul style="list-style-type: none"> <li>- Chemring will have the same business activities that are in place today, which means impacts should be considered in the context of the current financial performance, prices and operational locations.</li> <li>- Impacts are assumed to occur without the Company responding with any mitigation actions, which would reduce the impact of risks.</li> <li>- The analysis considered each risk and scenario in isolation, when in practice they may occur in parallel as part of a wider set of potential global impacts.</li> <li>- Carbon pricing was informed by the World Energy Outlook 2024 report from the International Energy Agency ("IEA").</li> </ul> <p>&gt; <b>RESULTS OF THE SCENARIO ANALYSIS ARE OUTLINED ON PAGE 57</b></p>	Physical scenarios	Transition scenarios	<ul style="list-style-type: none"> <li>- RCP 2.6<sup>2</sup>, a stringent mitigation scenario, where global temperature rise is less than 2°C relative to the pre-industrial period (1850-1900) by 2100.</li> <li>- RCP 8.5<sup>2</sup>, an extreme physical risk scenario, where global temperatures rise between 4.1 and 4.8°C by 2100.</li> </ul>	<ul style="list-style-type: none"> <li>- Net Zero 2050 ("NZE")<sup>1</sup>, outlining a pathway for the global energy sector to achieve net zero CO<sub>2</sub> emissions by 2050, which limits the global temperature rises to 1.5°C by 2100, with 50% probability.</li> <li>- Stated Policies ("STEPS")<sup>1</sup>, outlining a combination of physical and transition risk impacts as temperatures rise by 2.6°C by 2100, with 50% probability.</li> </ul>
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1. IEA (2024), World Energy Outlook, IEA, Paris, [www.iea.org/reports/world-energy-outlook-2024](http://www.iea.org/reports/world-energy-outlook-2024).

2. IPCC, 2014: Climate Change 2014: Synthesis Report. Contribution of Working Groups I, II and III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change.





## RISK MANAGEMENT

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

<b>CHEMRING'S PROCESSES FOR IDENTIFYING AND ASSESSING CLIMATE-RELATED RISKS</b>	<p>Current and emerging climate-related risks and opportunities are considered, whether they arise within the Group's operations or within the value chain, including existing and emerging regulations. In 2024, climate risks and opportunities relevant to the Group were reviewed with the aid of external consultants. The Munich Re Location Risk Intelligence Tool has been used to assess current and potential future physical climate-related risks facing the Group's sites and key suppliers. We have assessed potential physical risks, both acute and chronic, at all Group sites. The financial impact of each site was considered to determine the materiality of identified risks to specific sites. These risks and opportunities were then refined through consultation with key Chemring personnel.</p> <p>Risks and opportunities were assessed in line with the Group's methodology to assess principal risks. A probability and impact matrix defines the likelihood of the risk, based on historical evidence or experience of similar consequences materialising. The likelihood categories are classified as Very Unlikely, Unlikely, About as Likely as Not, Likely, Very Likely, or Virtually Certain. The magnitude of impact is classified as Low, Medium-Low, Medium, Medium-High or High, and, where possible, a single figure estimate for the financial impact was calculated. In addition, the Group's overall resilience was evaluated based on its capacity to withstand and recover from potential climate-related risks. The Group's resilience is rated as Basic, Intermediate, Advanced or Exemplary.</p>
<b>CHEMRING'S PROCESSES FOR MANAGING CLIMATE-RELATED RISKS</b>	<p>Once each climate-related risk and opportunity was identified, the Group sought to quantify the financial impact, the appropriate strategic response and the cost of implementing the mitigations. This process includes considering the long-term impacts arising from the risks identified on our products and services. This in turn helped to determine the materiality, allowing the Group to prioritise resources to manage its most significant climate-related impacts, determine the best management response or highlight areas requiring further investigation. All of the Group's climate change risks and opportunities are covered by existing or planned mitigation and adaptation strategies. Further detail is set out in the principal risk and uncertainties section on pages 76 to 82.</p>
<b>PROCESSES FOR IDENTIFYING, ASSESSING AND MANAGING CLIMATE-RELATED RISKS INTEGRATED INTO CHEMRING'S OVERALL RISK MANAGEMENT</b>	<p>Climate is considered as a Group principal risk alongside the risks identified in the wider risk management process. This ensures climate-related risks are integrated into the Group's overall enterprise risk management framework.</p> <p>The management of each business is responsible for the identification, management and reporting of local risks, in accordance with the Group's risk management framework.</p> <p>The Risk Management Committee meets quarterly and, utilising the input from the business risk registers and the US risk register, identifies those principal risks which are material to the Group as a whole. The climate-related risks were reviewed by the Board during the financial year.</p>



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

## RISK MANAGEMENT continued

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

RATING SYSTEM FOR IMPACT	RATING SYSTEM FOR LIKELIHOOD	RESILIENCE RATING
<b>LOW IMPACT</b> Climate-related risks or opportunities expected to have minimal impact on financial performance, resilience, reputation or strategic direction. Limited financial consequences, manageable disruptions or low exposure.	<b>VERY UNLIKELY</b> Extremely low probability that the risk or opportunity will ever occur.	<b>BASIC RESILIENCE</b> Limited formalised resilience strategies, reactive approach to challenges, and basic contingency planning of climate-related risks and opportunities, with limited integration into overall financial strategy.
<b>MEDIUM-LOW IMPACT</b> Minor risks or opportunities with small financial consequences or operational challenges that are easily addressed. Minimal effect on resilience, reputation or strategy.	<b>UNLIKELY</b> The risk or opportunity is theoretically possible, but with a low probability and/or no record of having occurred in the industry.	<b>INTERMEDIATE RESILIENCE</b> Defined resilience strategies addressing key risks, proactive measures in place, and a moderate level of integration with business operations, with a clear assessment of climate impacts on the business and integration into strategic planning.
<b>MEDIUM IMPACT</b> Risks or opportunities that could noticeably affect financial performance, resilience, reputation or strategy. May lead to moderate financial consequences or disruptions. Medium-impact opportunities can contribute meaningfully to Chemring's performance.	<b>ABOUT AS LIKELY AS NOT</b> Foreseeable risk or opportunity, neutral probability.	<b>ADVANCED RESILIENCE</b> Robust resilience strategies incorporating comprehensive risk assessments, proactive adaptation strategies, and strong integration with overall business strategies and a deep understanding of climate-related risks and opportunities, well integrated into financial decision-making processes, and a commitment to continuous improvement in line with evolving standards.
<b>MEDIUM-HIGH IMPACT</b> Risks or opportunities that could significantly impact financial performance, resilience, reputation or strategy. May result in substantial financial consequences or operational disruptions. Medium-high opportunities can drive strategic improvements.	<b>LIKELY</b> Risk or opportunity is probable and/or has occurred more than once in the industry.	<b>EXEMPLARY RESILIENCE</b> Industry-leading resilience strategies, transparency, comprehensive scenario analysis, proactive adaptation strategies, and a demonstrated commitment to driving positive climate impacts with continuous improvement, innovation in risk management, and a company-wide culture that prioritises adaptability and anticipates emerging challenges. Setting a benchmark for best practices in TCFD reporting.
<b>HIGH IMPACT</b> Major risks or opportunities posing a substantial threat or benefit to financial performance, resilience, reputation or strategy. May cause severe financial consequences or disruptions. High-impact opportunities could transform Chemring's strategy and performance.	<b>VERY LIKELY</b> Risk or opportunity has occurred or has a strong probability of occurring and/or there has been a history of occurrence within the industry.	
	<b>VIRTUALLY CERTAIN</b> Risk or opportunity expected to occur and/or is common within the industry.	

## CLIMATE-RELATED RISKS

Risk type	Description	Mitigation	
<b>RISK: EXTREME WEATHER EVENTS</b>			
<b>Physical</b> Acute	<p>Extreme weather events resulting from tornadoes, hail, flood, lightning and storms, etc. will be intensified by climate change, having the potential to impact Chemring's operations, the effects of which are felt by their communities on an economic and social level.</p> <p>Extreme weather events can cause disruption to supply chains across the globe as well as physical damage to Chemring's facilities and could result in disruption to production and product delivery and impact overall revenue. Such events also endanger Chemring's personnel, who are a fundamental priority to protect.</p> <p>Current risks associated with hail, tornadoes, lightning and flooding are localised to Chemring's US sites. Projections indicate that the risk of flooding is expected to stay consistent under both RCP 2.6 and RCP 8.5 scenarios through to 2100. Storm risks are primarily localised to UK sites, where they are expected to have a low impact on operations.</p>	<p>Operations identified as at risk of flooding from extreme weather events have undergone drainage improvements and stormwater management upgrades. Across key sites, permeation basins and improved drainage systems have been implemented to manage stormwater more effectively and reduce flood risks.</p> <p>The Company is also evaluating energy supply to facilities potentially affected by extreme weather, aiming to implement backup power systems for safe shutdowns in case of power loss. All sites operate emergency generators.</p> <p>Weather monitoring and forecast updates support thunderstorm procedures and the use of lightning protection systems, including lightning rods and warning systems, across high-risk locations to protect infrastructure and minimise disruptions.</p> <p>Wind speed monitoring at burn grounds helps mitigate risk by ensuring safe operating conditions, protecting both personnel and infrastructure.</p> <p>Chemring business units manage supply issues related to unforeseen environmental risks by assessing supply chain sustainability and ensuring alternative suppliers for key parts and services are available.</p> <p>No strategic change required, continued monitoring and analysis as per normal operations.</p>	<p><b>Area:</b> Own operations/ Upstream</p> <p><b>Primary potential financial impact:</b> Loss of revenue</p> <p><b>Time horizon:</b> Short-term</p> <p><b>Likelihood:</b> Very Likely</p> <p><b>Magnitude of impact:</b> Medium-Low</p> <p><b>Resilience rating:</b> Intermediate</p>



Risk type	Description	Mitigation	
<b>RISK: EXTREME TEMPERATURE FLUCTUATIONS</b>			
<b>Physical</b> Chronic	<p>Extreme temperature fluctuations, including heat stress and cold stress, have the potential to disrupt Chemring's operations. These conditions can impair people-driven processes and strain infrastructure like cooling systems and burn grounds. These impacts could result in delays to production and delivery.</p> <p>Temperature extremes also pose risks to employee safety, with protecting personnel being a top priority.</p> <p>Cold stress remains a current challenge, with infrastructure damage leading to site closures, but future risks are primarily centred on increasing heat stress. Current cold stress risks are associated with Chemring's US and Norway sites. Future projections indicate a decreased risk as cold stress is a progressively declining hazard under both RCP 2.6 and 8.5. Heat stress risks are presently based in the US, with projections under RCP 2.6 indicating this risk will remain stable. However, under the more severe RCP 8.5 scenario, this risk is expected to extend to Chemring's Australia site by 2100.</p>	<p>Sites vulnerable to extreme temperature fluctuations have introduced a range of mitigations to protect critical infrastructure, maintain operational continuity and prioritise employee safety.</p> <p>For cold stress, measures include enhanced pipe insulation, temperature-controlled storage and heat-traced external piping. Routine inspections are conducted to address cold-vulnerable equipment.</p> <p>To manage heat stress, HVAC upgrades are underway to meet rising cooling demands. Burn ground operations are restricted during extreme heat or low-humidity conditions, reducing associated risks. Regular burn ground maintenance and vegetation control are conducted at key sites.</p> <p>No strategic change required, continued monitoring and analysis as per normal operations.</p>	<p><b>Area:</b> Own operations</p> <p><b>Primary potential financial impact:</b> Loss of revenue</p> <p><b>Time horizon:</b> Short-term (cold), short to long-term (heat)</p> <p><b>Likelihood:</b> Very Likely</p> <p><b>Magnitude of impact:</b> Low</p> <p><b>Resilience rating:</b> Intermediate</p>
<b>RISK: PRECIPITATION STRESS</b>			
<b>Physical</b> Chronic	<p>Precipitation stress risk can disrupt supply chains and impact overall operational efficiency. Increased rainfall can lead to flooding, causing physical damage to facilities and hindering production capabilities. Precipitation stress can also affect transportation routes, resulting in production and product delivery disruption.</p> <p>Current precipitation stress risks are associated with Chemring's US sites. Future projections show that under RCP 8.5, this risk will spread to the UK, while under RCP 2.6, the risk remains steady in the US.</p>	<p>Sites vulnerable to flash flooding have undergone drainage improvements and stormwater management upgrades to manage heavy rainfall and reduce risks associated with increased precipitation. In the UK, rainwater interception and soakaway systems are in place to divert water from key facilities.</p> <p>A climate change action plan is being developed to identify and address risks from natural hazards, including measures to prevent, correct and mitigate impacts related to increased rainfall.</p> <p>Chemring business units manage supply issues related to unforeseen environmental risks by assessing supply chain sustainability and ensuring alternative suppliers for key parts and services are available.</p> <p>No strategic change required, continued monitoring and analysis as per normal operations.</p>	<p><b>Area:</b> Own operations/ Upstream</p> <p><b>Primary potential financial impact:</b> Loss of reputation, market share and revenue</p> <p><b>Time horizon:</b> Short to long-term</p> <p><b>Likelihood:</b> Very Likely</p> <p><b>Magnitude of impact:</b> Medium-Low</p> <p><b>Resilience rating:</b> Intermediate</p>

## WILDFIRES

Wildfires are not considered a risk at the Group level, but we acknowledge the potential for low-impact incidents at our Australia site. We have launched an enhanced vegetation management programme to trim and remove potential wildfire hazards around our Australian operations. We are also aware of local mitigation efforts, such as planned burns.

## OVERALL PHYSICAL RISK IMPACTS SPLIT BY GEOGRAPHIC REGION AND SCENARIO ANALYSED

Scenario	Operational location					
	Australia	Norway	UK	North America	Upstream	Downstream
RCP 2.6	Low impact	Low impact	Low impact	Medium impact	Low impact	Low impact
RCP 8.5	Low impact	Low impact	Low impact	High impact	Low impact	Low impact

- Low impact
- Medium impact
- High impact



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

## CLIMATE-RELATED RISKS continued

Risk type	Description	Mitigation	
<b>RISK: SHIFT TO LOW-CARBON TECHNOLOGIES</b>			
<b>Transition</b> Technology	<p>Climate-related requirements are changing in key customer procurement contracts; Chemring may face challenges in upgrading its capability development, transferring new technologies and maintaining efficient manufacturing process.</p> <p>Adopting low-carbon technologies will likely require significant capital expenditure to upgrade production facilities and integrate green technologies. There is also the potential for contract loss if Chemring is unable to meet sustainability requirements. The disposal or write-off of older assets may further increase costs, and the need for workforce retraining could impact operations.</p> <p>Under the NZE scenario, Chemring will need to accelerate investment in low-carbon technologies by 2035 to remain competitive, focusing on green manufacturing and energy efficiency. The STEPS scenario allows for a more gradual transition, reducing the pressure on short-term capital investment while maintaining ongoing operations.</p>	<p>Chemring is actively monitoring government and customer priorities regarding technology roadmaps and climate-related procurement standards. The Group is involved in an industry working group to address these requirements and has developed a long-term transition plan to achieve net zero emissions by 2050.</p> <p>Additionally, close relationships with customers are maintained to facilitate effective risk management and long-term planning.</p> <p>Future procurement decisions may focus on the sustainability of a supplier's business operations, for which Chemring has an internal transitional plan for becoming a net zero organisation by 2050.</p> <p>No strategic change required, continued monitoring and analysis as per normal operations.</p>	<p><b>Area:</b> Own operations/ Downstream</p> <p><b>Primary potential financial impact:</b> Higher capex expenditure, loss of revenue</p> <p><b>Time horizon:</b> Medium to long-term</p> <p><b>Likelihood:</b> About as Likely as Not</p> <p><b>Magnitude of impact:</b> Low</p> <p><b>Resilience rating:</b> Intermediate</p>
<b>RISK: EXPOSURE TO LITIGATION</b>			
<b>Transition</b> Legal	<p>Chemring faces increasing risks of litigation related to environmental non-compliance or failure to meet emissions targets as regulation tightens. There is also the possibility of legal action from stakeholders if the Group's environmental practices are perceived as inadequate or harmful.</p> <p>Litigation could result in significant financial penalties and legal costs. There is also a risk of reputational damage that could harm relationships with key customers and stakeholders. Any disruptions caused by legal action may affect ongoing operations and contract fulfilment.</p> <p>Under the NZE scenario, the risk of litigation is higher in the short term due to stricter regulatory enforcement aimed at accelerating the energy transition. Over time, compliance measures are expected to reduce this risk. In the STEPS scenario, regulatory changes are more gradual, resulting in lower short-term litigation risks, but with potential longer-term exposure as regulations continue to evolve in response to energy security and emissions targets.</p>	<p>Chemring conducts regular HSE audits and emissions monitoring to ensure compliance with relevant standards.</p> <p>Enhanced tracking systems are in place for accurate reporting of environmental data, and employee training and environmental awareness initiatives reinforce adherence to regulations.</p> <p>By maintaining a strong governance framework and continually updating its environmental policies, Chemring seeks to minimise the risk of litigation. Transparent reporting and sustainability practices are key to mitigating reputational risks.</p> <p>No strategic change required, continued monitoring and analysis as per normal operations.</p>	<p><b>Area:</b> Own operations/ Upstream</p> <p><b>Primary potential financial impact:</b> Increase in costs, loss of reputation</p> <p><b>Time horizon:</b> Short to medium-term</p> <p><b>Likelihood:</b> About as Likely as Not</p> <p><b>Magnitude of impact:</b> Low</p> <p><b>Resilience rating:</b> Intermediate</p>





## CLIMATE-RELATED OPPORTUNITIES

Opportunity type	Description	Opportunity																	
<b>OPPORTUNITY: RESOURCE EFFICIENCY</b>																			
<b>Resource efficiency</b>	<p>Improvements in both product and energy efficiency will help reduce waste, operational costs and CO<sub>2</sub>e emissions across Chemring's facilities.</p> <p>Efficiency efforts focus on using the best available technology for operations and continuous monitoring and maintenance of facilities. Initiatives such as upgrading building facilities and implementing LED lighting retrofits reduce direct energy costs, with further efficiency plans in place for future savings.</p> <p>In the NZE scenario, Chemring's commitment to resource efficiency aligns with stricter sustainability targets, providing a strategic advantage as customers increasingly favour suppliers demonstrating strong resource efficiency. Under the STEPS scenario, while the pressure to implement energy-efficient initiatives may be lower due to less stringent policy changes, Chemring can still capitalise on cost savings and operational improvements.</p>	<p>Chemring sees opportunities for future expansion or development to incorporate energy-efficient methods like heat pumps, advanced HVAC systems and LED lighting.</p> <p>This opportunity is largely unaffected by external policy shifts, as financial savings from resource efficiency improvements are already planned and underway.</p> <p>No strategic change required, continued monitoring and analysis as per normal operations.</p>	<p><b>Primary potential financial impact:</b> Reduction in cost</p> <p><b>Time horizon:</b> Short to medium-term</p> <p><b>Likelihood:</b> Likely</p> <p><b>Magnitude of impact:</b> Low</p> <p><b>Resilience rating:</b> Intermediate</p>																
<b>OPPORTUNITY: LOW-EMISSIONS ENERGY</b>																			
<b>Energy source</b>	<p>With the growing availability and decreasing cost of renewable energy, Chemring can benefit from procuring renewable energy for its sites.</p> <p>This would reduce both the Group's exposure to volatile fossil fuel prices and its greenhouse gas emissions. By shifting away from fossil fuels, Chemring lowers its sensitivity to carbon pricing and improves its sustainability profile.</p> <p>In the NZE scenario, transitioning to renewable energy is essential for meeting global decarbonisation goals by 2050, and Chemring's strategic shift to renewable sources will safeguard against rising carbon costs. In the STEPS scenario, while the transition to renewables may be more gradual, Chemring's plans will still yield benefits in terms of cost reduction and emissions management, enabling the Group to adapt effectively to changing market conditions.</p> <p>The carbon price (US\$/tCO<sub>2</sub>e) is projected to increase as follows:</p> <table> <tr> <th>Scenario</th><th>2030</th><th>2040</th><th>2050</th></tr> <tr> <td>STEPS</td><td>126</td><td>126</td><td>126</td></tr> <tr> <td>NZE 2050</td><td>140</td><td>205</td><td>250</td></tr> <tr> <td>Difference</td><td>11%</td><td>63%</td><td>98%</td></tr> </table>	Scenario	2030	2040	2050	STEPS	126	126	126	NZE 2050	140	205	250	Difference	11%	63%	98%	<p>Chemring has a significant opportunity to prioritise the procurement of renewable energy sources, such as solar and wind power, throughout its operations. By focusing on on-site renewable energy generation, Chemring can reduce operational costs and enhance sustainability. Future developments will emphasise the implementation of renewable solutions and energy-efficient technologies, including heat pumps and advanced insulation, to further decrease overall energy consumption and support the Group's long-term business goals.</p> <p>By adopting an internal carbon price, the Group can assign a monetary value to its greenhouse gas emissions. This will enable better integration of these costs into investment decisions and daily operations, while also promoting the use of on-site renewable energy generation where appropriate.</p> <p>Strategic change required incorporating an internal carbon price assigns a monetary value to greenhouse gas emissions, empowering business units to integrate this cost into investment decisions and daily operations.</p>	<p><b>Primary potential financial impact:</b> Reduction in cost</p> <p><b>Time horizon:</b> Short to medium-term</p> <p><b>Likelihood:</b> Very Likely</p> <p><b>Magnitude of impact:</b> Low</p> <p><b>Resilience rating:</b> Basic</p>
Scenario	2030	2040	2050																
STEPS	126	126	126																
NZE 2050	140	205	250																
Difference	11%	63%	98%																



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

## METRICS AND TARGETS

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

<b>METRICS USED TO ASSESS CLIMATE-RELATED RISKS AND OPPORTUNITIES IN LINE WITH STRATEGY AND RISK MANAGEMENT PROCESS</b>	<p>Chemring uses a range of metrics to assess climate-related risks and opportunities, aligned with its strategy and risk management process. These metrics cover GHG emissions (scopes 1, 2, and relevant scope 3), energy consumption, water use and waste generation.</p> <p>Executive remuneration is tied to achieving carbon reduction goals through annual bonuses and the long-term incentive plan, ensuring accountability for climate performance.</p> <p>The Group reports energy consumption and GHG emissions according to the GHG Protocol and SECR, tracking KPIs like energy efficiency and emissions intensity.</p> <p>Climate scenario analysis informs Chemring's strategy, with supporting metrics integrated into risk management and strategic planning to monitor its business environment.</p> <p>Further environmental metrics, including freshwater use and waste, are disclosed on pages 48 to 51. Chemring continually improves data accuracy, reporting and tracking, with historical trends and forward-looking projections provided for long-term planning.</p>
<b>SCOPE 1, 2 AND, IF APPROPRIATE, 3 GHG EMISSIONS AND THE RELATED RISKS</b>	<p>Chemring monitors and reports scope 1 and 2 GHG emissions in line with the GHG Protocol. Scope 1 emissions are primarily from natural gas used in manufacturing and heating, while scope 2 comes from purchased electricity. Relevant scope 3 emissions are tracked, with further expansion planned as part of our commitment to improving scope 3 data collection and reporting.</p> <p>In 2024, Chemring reduced market-based scope 1 and 2 emissions from 17,430 tCO<sub>2</sub>e in 2023 to 15,161 tCO<sub>2</sub>e, driven by energy efficiency initiatives, facility upgrades, and increased use of renewable electricity via REGO and REC certificates. Scope 3 emissions data will continue to evolve as data collection improves, with key categories outlined in the report on page 50.</p>
<b>CHEMRING'S TARGETS FOR MANAGING CLIMATE-RELATED RISKS AND OPPORTUNITIES AND PERFORMANCE AGAINST TARGETS</b>	<p>Chemring has set ambitious climate targets, committing to net zero scope 1 and 2 emissions by 2035 (market based) and net zero by 2050. These targets align with the Group's sustainability strategy and global climate goals.</p> <p>Year-on-year reduction targets for scope 1 and 2 emissions are supported by efficiency measures, green fuel adoption and increased renewable energy usage. Chemring tracks progress through intensity ratios, such as tCO<sub>2</sub>e per £1m of revenue, reporting a 18.0% reduction in emissions intensity in 2024, from 36.2 tCO<sub>2</sub>e per £1m of revenue to 29.7 tCO<sub>2</sub>e.</p> <p>To further reduce its environmental impact, Chemring is implementing initiatives like upgrading heating and lighting systems, replacing traditional lighting with LED technology, and trialling electric vehicles. Progress is regularly reviewed by the ESG Committee and reported to the Board.</p> <p>Chemring's long-term targets meet regulatory requirements and market expectations, positioning the Group to capitalise on opportunities in the transition to a low-carbon economy. Performance against these targets is monitored with clear KPIs, and methodologies for calculating these targets are outlined in the Group's reporting framework.</p> <p>&gt; EMISSIONS TARGETS FOR THE GROUP ARE OUTLINED ON PAGE 45</p>



## OUR PEOPLE

# Investing to grow

At Chemring, our people are at the heart of everything we do and are key to our organisation's growth strategy. We invest in our people at all levels, across every location and function. This focus ensures we have the right people enabled to perform and support our growth plans.

Our talent markets continue to be challenging, with the expectations of colleagues to have a best-in-class employee experience at Chemring. Although inflationary pressures are easing across our key markets, the cost of living challenge remains for our colleagues. We pay competitively and offer purposeful and impactful careers which support our customers and the end users of our products and services.

## OUR OVERALL PEOPLE APPROACH IS FOCUSED ON FIVE KEY AREAS:

1.

Having the right people ready to perform

2.

An understanding of our talent pipelines

3.

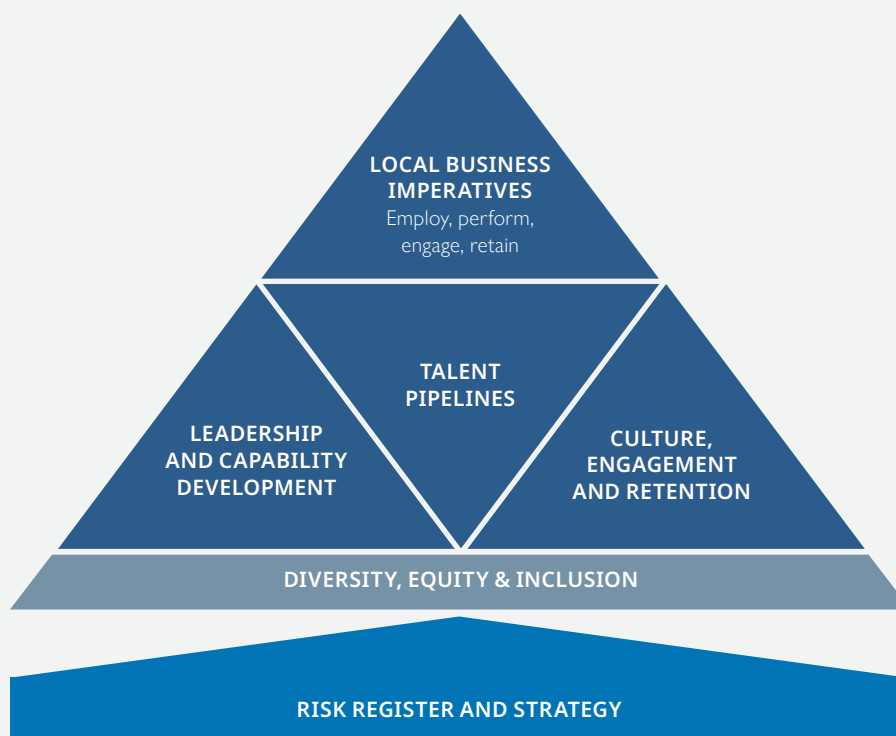
Clear leadership and capability development programmes

4.

A focus on the engagement and retention of our people

5.

An underpinning of diversity, equity & inclusion in everything we do through our culture at Chemring



### CHEMRING CULTURE

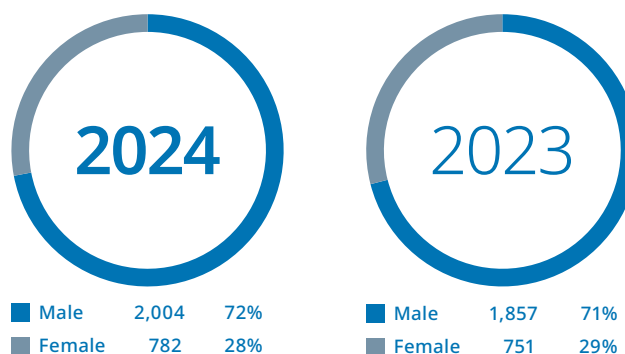
We are proud of our values-based culture and the areas of Safety, Excellence and Innovation are the focus of everything we do. As a group of companies we leverage value through embracing what ties us together and respecting what differentiates us. Our principle of Global Voice, Local Accent defines the approach to investing in our people to bring the best of our corporate programmes whilst ensuring our business units bring their local unique customs and practices to engage and empower the workforce.

### OUR POPULATION

Our business units each have an individual focus on the skills and talent they need, as well as a clear understanding of their local talent markets, and, with that, a focus on building a truly diverse workforce. Chemring strives for diversity on a broad basis including gender, age, background, education, disability, neurodiversity and nationality (within the constraints of our regulatory requirements) and this diversity brings a more agile, engaged and higher-performing workforce.

Gender diversity is one measure that we monitor throughout our population and programmes. Our total global population in 2024 was:

#### TOTAL POPULATION:





## OUR PEOPLE continued

## Investing to grow continued

## World Wellbeing Week 2024



**Chemring**  
Innovating to protect

## PURPOSE IN ACTION

## ENHANCING EMPLOYEE WELLBEING AT CHEMRING

In 2024, Chemring embarked on a mission to improve employee wellbeing, recognising its critical role in fostering a productive and engaged workforce. The initiative aimed to address various aspects of employee health, including mental, physical and emotional wellbeing.

During World Wellbeing Week in June, our Countermeasures and Energetics businesses in the UK held bake sales in support of local charities. Not only are these events a great social opportunity to get colleagues together and enjoy some cake and conversation, they also offer the chance to raise some essential funds for others in need.

Colleagues in our Roke business chose to set gruelling exercise goals of cycling, walking and running 1,000km which have led to permanent and healthy changes in lifestyle. One colleague commented: "I ride into work at least twice a week, spend way more time outside, and I am fitter than I've ever been. I still haven't felt the need to replace my car!"

Overall, the initiative not only enhanced employee satisfaction but also demonstrates Chemring's commitment to supporting the wellbeing of its workforce.

## OUR POPULATION continued

We benchmark our external local talent markets and work continuously to seek ways to attract, engage and retain a diverse workforce.

As we continue to grow as an organisation, we also continue to focus on creating a best-in-class employee experience through our people strategy. 2024 has seen a number of new "digital first" HR tools launched across the Group to modernise and improve the efficiency of our approach, from employee-centric HR information systems to localised employee listening tools getting to the heart of what's important to our colleagues. We also continue to look at ways to leverage the ever-evolving Microsoft 365 platform as a way to improve how people collaborate and get work done for our "online" colleagues.

## OUR TALENT PIPELINES

To cultivate a diverse and broad workforce, we tap into various internal and external talent pipelines. We recruit from a wide array of external channels, targeting direct hires for critical areas in the Group, as well as aspiring professionals early in their career journey. Moreover, we adopt new strategies to develop talent streams in unconventional areas, like through the Roke Academy, which offers individuals from diverse professional backgrounds the opportunity to learn skills that are vital for our future needs. In 2024, we partnered with organisations such as Women in Defence and attended the Defence Women's Network Conference to meet potential talent looking for roles in our industry.

We evolved our early careers UK programme in 2024 to create two streams focusing more explicitly on our two sectors. This change has allowed each programme to focus on its unique sector-specific story and develop skillsets in line with its organisational plans.

Our focus on talent also extends to supporting the pipelines of talent moving through our organisation. Our talent assessment activities are centred around the need to plan and develop to solve today's challenges and tomorrow's opportunities. We actively seek ways to create opportunities for our talent to gain those experiences before they are needed.

Our talent programme, Aspire@Chemring, launched in May 2022 and its second cohort graduated in August this year. Aspire@Chemring is designed to connect a global cohort of future senior leaders and provide experiences designed to open their perspectives to future roles as Leaders of People or Leaders of Subject Matter Expertise ("SME").

We aim to collaborate with industry peers and governmental bodies to enhance the skills and movement of professionals into our organisation. As an active member of the Ministry of Defence led Defence Suppliers Forum, we are helping to shape solutions to the sector-wide challenge of bringing diverse STEM talent into the sector, one that we are all facing.

In the UK, we have worked with the Institute of Engineering and Technology ("IET") for the past five years, providing scholarships to students from underprivileged backgrounds, enabling educational opportunities otherwise inaccessible. This variety in background introduces unique viewpoints within Chemring, which is evident when our IET scholarship recipients engage in summer internships and from those who have been successful in securing full-time roles with Chemring at graduation.

## LEADERSHIP AND CAPABILITY DEVELOPMENT

Our focus on internal talent is as important as identifying and securing external talent. We offer development opportunities for all colleagues, not only to ensure we have the right skills, in the right place, at the right time, but to engage our workforce with meaningful and impactful careers.

We see development as a strategic enabler for meeting our business and customer commitments, and it continues to serve our growth plans by ensuring we can develop our internal talent as well as seeking external talent. We use Performance Conversations as a tool to align personal career aspirations to business objectives and as a way to understand and engage with our colleagues and their individual aspirations.

We continue to run our established group development programmes, which include our two-year early careers programme, our supervisor focused Leading Our People programme, and our talent development programme, Aspire@Chemring. Aspire@Chemring graduated its second cohort of 52 global talent in 2024, creating new networks and inspiring our future senior leaders.

In the UK, we continue to utilise the Apprenticeship Levy to maximise apprentice development opportunities at the entry, middle and senior levels, covering specialist skillsets and functional competency.





## ENGAGEMENT AND RETENTION

Our workforce is the driver of our success, and we aim to put the employee experience at the forefront of our decision making. Our external talent markets remain extremely competitive and therefore the engagement and retention of our workforce is a people imperative.

Listening to all colleagues is essential to understand what's important to our workforce, and since this will differ across our global organisation, in 2024, we moved to using local listening tools and technologies to ensure they gathered the specific "Local Accent". This enables the tools used locally to be tailored to the local cultures, contexts, environments and working practices, and ensures that the action taken is effective and impactful to that employee group. We therefore no longer have a single consolidated employee positivity metric for the Group, instead prioritising each business unit's individual positivity scores, with the majority of positivity results in the 73-75% range, reflecting the local relevance of opportunities each business has to continuously improve.

Furthermore there are many ways in which our colleagues are engaged with individually, from one-to-one performance conversations to works councils and Employee Resource Groups ("ERGs"). In many of our businesses, leadership make themselves available through all-hands town hall meetings in which any colleague can raise questions.

Laurie Bowen, non-executive director and Remuneration Committee Chair, is tasked with employee engagement for the Board. For the fourth consecutive year, Laurie has connected with colleagues across the Group, at a variety of levels and in differing roles, focusing on business units experiencing change and transformation. Visiting Roke, Chemring Energetic Devices in Chicago, Chemring Countermeasures in Philadelphia and Chemring Countermeasures in Salisbury, she explored how their business' respective organisational change was going and was encouraged to hear of how the ambitious vision for our companies is being translated into our colleagues' day-to-day experiences. Areas of feedback in 2024 included the acknowledgement of local leadership teams' efforts to involve and engage the workforce in the changes in the businesses, whilst highlighting the challenges of communications keeping up with the rapid pace of change. Safety remains a top priority in the eyes of our colleagues who speak up when they identify improvement opportunities, which has extended beyond physical safety into the wellbeing agenda in 2024. Laurie also heard of the maturing of our standards and processes in line with our business growth, to ensure our operational efficiency serves our business targets and ambitions. The groups identified specific opportunities to improve, which were openly and constructively communicated, and summarised to the leadership teams for action as part of their local employee engagement action planning process. Thanks to this feedback, our local leadership teams at these locations can ensure that employee feedback informs and supports their growth agendas. Employee feedback remains a key channel for insights into how we can shape Chemring's employee engagement priorities both at a local level and Group level.

Our local business ERGs are helping us to understand "what good looks like" in many areas of the inclusion agenda; one size does not fit all.

This approach is how we focus on developing our culture so that it serves our colleagues and our customers. We work to the principle of embracing what ties us together and respecting what differentiates us. Our value-driven culture is based on our values of Safety, Excellence and Innovation and is the foundation all our businesses work to.



## PURPOSE IN ACTION

### APPRENTICE OF THE YEAR AWARD

Aaron McEvoy, a Chemring apprentice, has been recognised for his outstanding achievements by winning two awards. Firstly, the Engineering Apprentice of the Year at the Portsmouth Engineering Training Association (PETA) AZ Awards. PETA is dedicated to addressing skills shortages in the engineering industry around Portsmouth. Secondly, Aaron scooped up the prize for Engineering/Manufacturing Apprentice of the Year at the Portsmouth News and Chichester Observer awards in October. Sponsored by The Royal Navy. The awards recognise the best and brightest apprentices, mentors, training providers and employers from across the Portsmouth and Chichester area.

Aaron, a level 3 engineering technician apprentice at Chemring Countermeasures UK (CCM UK), was among five finalists for the award.

Aaron chose an apprenticeship for its practical learning opportunities and has gained extensive knowledge in engineering processes and principles. Chemring's apprenticeship opportunities offer insight into the unique nature of our products, which save lives, provides a variety of work and learning opportunities. Aaron has benefited from the experience and qualifications of his colleagues and has had the chance to travel and see products tested.

Aaron has found Chemring to be a great learning environment. His career goals include achieving further qualifications and becoming a Production Engineer, with a keen interest in automation and robotics. Our early careers professionals are a key talent segment for Chemring, and we are proud to be helping shape our leadership of the future.

## DEVELOPING OUR PEOPLE

48

Apprenticeships active in 2024

70

Graduates and apprentices took part in early careers development in the UK

52

Future senior leaders graduated from the second cohort of Aspire@Chemring, our global virtual talent development programme



## OUR PEOPLE continued

## Investing to grow continued

**DEFENCE WOMEN'S NETWORK CONFERENCE 2024** | Ministry of Defence

**Chemring**  
Innovating to protect

**Silver**  
CONFIRMED SPONSOR

**PURPOSE IN ACTION**

**CHEMRING'S COMMITMENT TO GENDER DIVERSITY IN DEFENCE**

Chemring is dedicated to fostering a vibrant mix of backgrounds, experiences and perspectives to drive innovation and continuous improvement. Recognising the importance of gender diversity in the engineering and defence sectors, Chemring signed the UK Women in Defence Charter in 2024.

The Charter aims to improve gender balance in the UK defence sector by committing to four key actions. These include assigning a senior executive responsible for gender inclusion, setting internal targets for gender diversity in senior management, publishing annual progress reports, and linking senior executives' pay to gender inclusion targets.

Currently, women hold 24% of UK Defence sector jobs and 12% of positions in the UK Armed Forces. By signing the Charter, Chemring joins over 90 UK organisations committed to improving gender balance in the sector.

Additionally, Chemring directly supports our customers' gender focus through sponsorship of the MoD Defence Women's Network Conference, an annual event focused on breaking down gender inequality barriers and promoting diversity and inclusion. 14 of our female colleagues were able to attend this year to hear perspectives and share insights with this important defence network.

## DIVERSITY, EQUITY AND INCLUSION ("DE&amp;I")

DE&I continues to be a lens through which we consider all our people decisions. We have continued our focus of 2023 into 2024 to mature our processes, driving improvements to our gender balance in senior management positions.

We believe that it is important to include all members of senior management who influence the day-to-day employee experience and lead our culture. Our definition of this population is what we monitor to ensure that all these senior leadership positions continue to be developed towards a more gender balanced and inclusive population.

We define senior management positions as Executive/Senior Leadership, direct reports to Executive/Senior Leadership (if in a leadership role) and key positions holding a senior position or role of influence in the organisation, with a 2027 target of at least 33% female and 67% male.

Our organisation grew in 2024 and talent challenges in the external market have had a minor impact on our gender split which is 31% female and 69% male. Our growth is challenging us to think differently about how we can continue to develop our gender diversity within the organisation. We remain on target to meet our 2027 goals as well as continuing to deliver gender diversity in our growing workforce.

We recognise that Chemring has a role to influence the external talent market where possible to ensure a strong gender balanced pipeline is grown. In 2024, we are proud to have signed the UK Women In Defence Charter and attended the Defence Women's Network Conference, which signals our commitment to improving gender diversity in the defence sector.

In 2023, we added the requirement for DE&I to be considered within our five-year planning activities, which we have continued in 2024. Gender is not the only focus of our efforts. Chemring strives for diversity on a broad basis including gender, age, background, education, disability, neurodiversity and ethnicity (within the constraints of our regulatory requirements). This is an area where we continue to develop both globally and locally and which will be central to our success in the coming years.

We continue to focus on ethnicity at the various levels within our organisation, as a way of ensuring our workforce is reflective of the communities we are situated in and operate within. Our reporting on ethnic diversity at Chemring is set out in the table below.

	Asian %	Black %	Mixed race %	White %	Other* %
Senior managers	2.7	0.9	—	96.4	—
Mid-level managers	1.5	8.0	0.4	87.5	2.6
All other employees	4.0	11.7	2.1	78.9	3.3

\* Including Hispanic, NHOPI and Native American.

## OUR COMMUNITIES

Chemring takes its commitment to enhancing social value seriously, both at the local and national level in the regions we operate within.

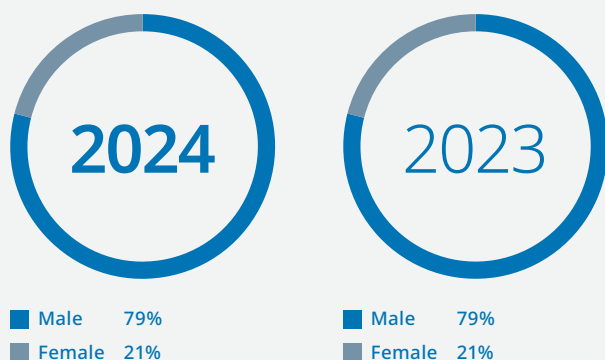
With a geographically diverse group of businesses, the "Local Accent" element which balances our "Global Voice" is of great importance to us. No more so than in how our businesses represent and integrate into the local communities of which we form a part. All of our workforces have strong local ties to the community, and we see numerous charity and volunteering efforts from our workforce which serve those communities.

The education sector is another area of focus, with the opportunity to provide STEM sponsorship and support in local schools and colleges. Our IET bursary sponsorship further targets socially and economically deprived students to try and create a more level, diverse and inclusive STEM pipeline. Investing in this community today helps us to build a broader and more diverse pool of talent to join the engineering and defence sectors in years to come.

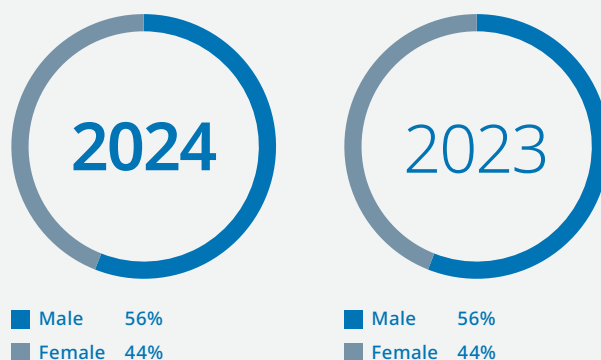
In addition, we partner with charities that directly support those who are end users of our products and services. We honour the service that they have given through the support of events such as "Ride with a Veteran" and through our support of veteran networks like the US Marine Corps charity, Marine Toys for Tots Foundation.



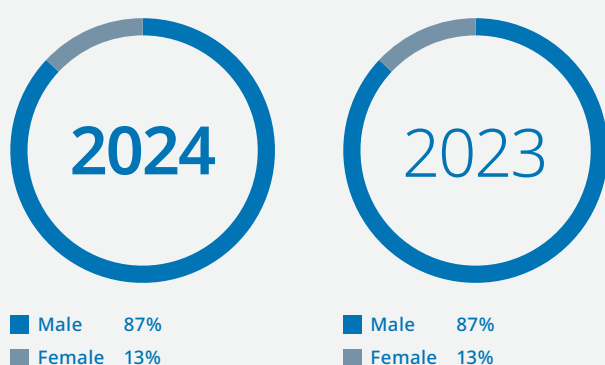
## TOTAL GRADUATES AND APPRENTICES



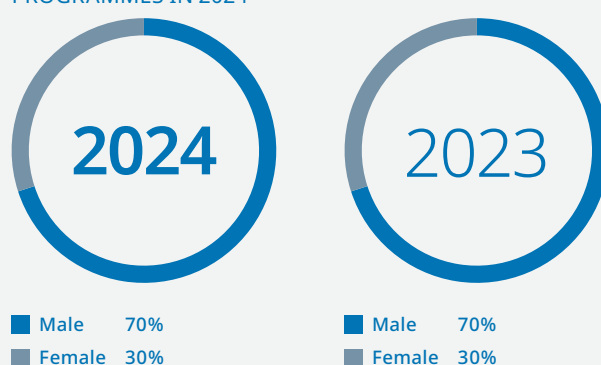
## BOARD OF DIRECTORS



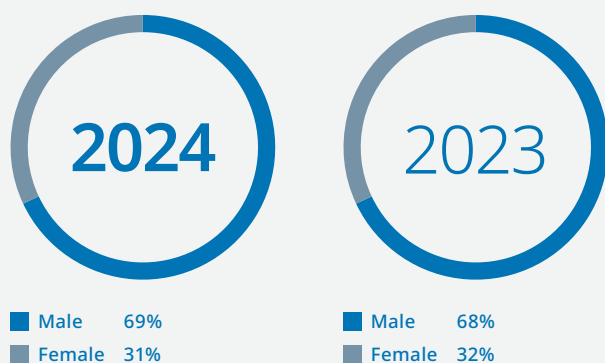
## EXECUTIVE COMMITTEE



## COLLEAGUES INVOLVED IN LEADERSHIP DEVELOPMENT PROGRAMMES IN 2024



## SENIOR MANAGEMENT POSITIONS



## LISTENING TO OUR PEOPLE

7

New bespoke and localised listening tools deployed across Chemring to get to the heart of what matters to our colleagues

72%

Weighted average positivity score across these local listening tools

&gt;1,700

Colleagues regularly providing feedback through our listening tools



## ETHICS AND BUSINESS CONDUCT

# Always doing the right thing

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

## OUR APPROACH

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

### ESG COMMITTEE

The Board has established an ESG Committee, which has oversight of the Group's environmental, social and governance policies and objectives. The ESG Committee is chaired by the Group Chief Executive, with the other members being the Chief Financial Officer, the Group Legal Director & Company Secretary, the President of our US operations, the Group HSE Director, the Group Director of Corporate Affairs, the US General Counsel, the US Vice President HSE, the Group Financial Controller and the Group Sustainability Lead. The ESG Committee has oversight of the Group's ethical business conduct and compliance framework, including our anti-bribery processes. It monitors the implementation of the framework across the Group and recommends areas for improvement.

The Committee met three times during the year. At every meeting the Committee reviews and monitors compliance with our anti-bribery processes and other key compliance policies. During the year the Committee also reviewed:

- the deferral of our net zero scope 1 and 2 emissions target from 2030 to 2035 following the decisions taken over the last two years to significantly increase production capacity and establish new facilities in our Energetics businesses;
- performance against HSE and people-related targets;
- the annual Operational Assurance Statements completed by the businesses for the period from 1 July 2022 to 30 September 2023;
- metrics on the due diligence and appointment of third party sales partners;
- statistics on the completion of compliance training;
- approvals granted under our policy on sales to customers located in higher risk territories; and
- its terms of reference.

The Group Chief Executive reports to the Board on the Committee's activities following each meeting.

### OPERATIONAL FRAMEWORK

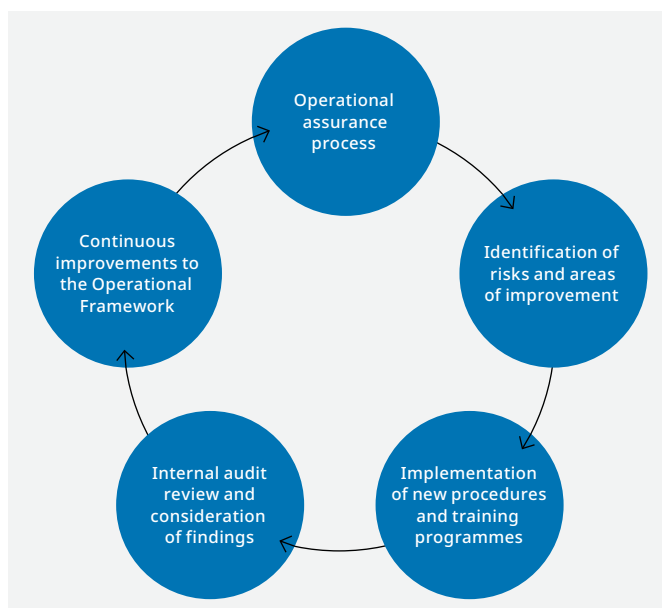
Our Operational Framework incorporates a broad range of more than thirty-five policies and procedures which have been adopted by all our businesses.

The Operational Framework implements a robust governance and compliance framework to enable us to operate in a safe, consistent and accountable way.

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

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

The Operational Framework was updated and reissued in November 2024.



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

Our governance framework also includes a requirement for all businesses to complete an Operational Assurance Statement on an annual basis, providing a detailed assessment of their compliance with the Operational Framework. The output from the operational assurance process enables us to drive continuous improvement in our governance and compliance framework, including the identification of additional training requirements for our employees. It also allows us to monitor and address the evolution of a number of the key risks we face, and provides valuable input to our internal audit programme.

### CODE OF CONDUCT

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

All employees and all third parties who act on the Group's behalf are required to comply with our standards of behaviour and business conduct, as set out within the Code, and applicable laws and regulations in all the countries in which we operate. All employees, current and new, are provided with a copy of the Code of Conduct and asked to confirm that they will adhere to its standards. The Code is reproduced in Norwegian for our employees in Norway. The Code was updated and reissued in November 2024.

Scenario-based training modules on the Code are provided to employees during the year through the Chemring Compliance Portal.



> DISCOVER MORE ABOUT OUR CODE OF CONDUCT  
AT [CHEMRING.COM/CODEOFCONDUCT](https://chemring.com/codeofconduct)





## WHISTLEBLOWING

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

Our internal procedures on the handling of whistleblowing reports are designed to ensure that all reports made, whether through the external service or through other internal channels, are dealt with in a proper and consistent manner, with appropriate oversight from the UK and US legal departments. Training is provided to members of our leadership teams on how to identify whistleblowing reports which may emanate through less obvious channels and how to engage with employees who make whistleblowing reports.

## ANTI-BRIBERY AND CORRUPTION

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

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

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

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

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

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

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

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

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

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

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

Compliance with BACM procedures continues to be a core aspect of our internal audit programme. BACM compliance audits were completed at four businesses during the year.

## HUMAN RIGHTS

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

**> A STATEMENT OF THE GROUP'S COMPLIANCE WITH THE MODERN SLAVERY ACT 2015 CAN BE FOUND ON THE GROUP'S WEBSITE AT [WWW.CHEMRING.COM](http://WWW.CHEMRING.COM)**

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



## FINANCIAL REVIEW

# New record order book, strong cash generation, funding further investment to increase capacity



**James Mortensen**  
Chief Financial Officer

**“We’ve made solid progress in the year, and the record order book gives us great momentum as we build for the future.”**

## INTRODUCTION

We have continued to deliver against the Board’s expectations, balancing short-term performance with long-term growth. Chemring continues to play a vital role supplying mission-critical products and services, as demonstrated by the highest order book in Chemring’s history.

### GROUP FINANCIAL PERFORMANCE

Order intake for 2024 remained strong at £673m (2023: £756m). Demand in our niche Energetics businesses continued, where order intake was £348m (2023: £358m). Sensors & Information total order intake was £150m (2023: £215m) where the prior year benefited from multi-year awards.

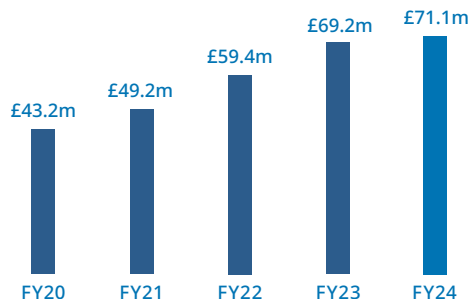
Revenue was up 8% to £510.4m (2023: £472.6m) reflecting significant growth in Roke and improved operational execution delivering strong output in our niche Energetics businesses.

On a constant currency basis the Group’s revenue was up 9% to £517.3m (2023: £472.6m), underlying operating profit was up 4% to £71.7m (2023: £69.2m) and underlying diluted earnings per share was down 3% to 19.5p (2023: 20.0p). Foreign exchange translation has proved to be a headwind to revenue and operating profit compared with last year. While exchange rates have been volatile in the year, the US dollar, Australian dollar and Norwegian krone have all weakened against sterling. A summary of the impact of the exchange rate movements on the key metrics at a Group and sector level is shown in the table below.

	At constant currency		As reported		2023 £m
	2024 £m	Change	2024 £m	Change	
<i>Group</i>					
Order intake	682.2	(9.8)%	672.8	(11.1)%	756.4
Order book	1,072.5	16.4%	1,037.8	12.6%	921.6
Revenue	517.3	9.5%	510.4	8.0%	472.6
Underlying EBITDA	94.8	7.1%	93.7	5.9%	88.5
Underlying operating profit	71.7	3.6%	71.1	2.7%	69.2
Underlying earnings per share	19.5	(2.5)%	19.3	(3.5)%	20.0
<i>Sensors &amp; Information</i>					
Order intake	150.1	(30.3)%	149.7	(30.5)%	215.4
Order book	106.7	(37.5)%	105.5	(38.2)%	170.6
Revenue	212.8	13.8%	212.0	13.3%	187.0
Underlying EBITDA	47.4	23.1%	47.3	22.9%	38.5
Underlying operating profit	41.5	21.3%	41.4	21.1%	34.2
<i>Countermeasures &amp; Energetics</i>					
Order intake	532.1	(1.6)%	523.1	(3.3)%	541.0
Order book	965.8	28.6%	932.3	24.1%	751.0
Revenue	304.5	6.6%	298.4	4.5%	285.6
Underlying EBITDA	64.3	(1.8)%	63.2	(3.5)%	65.5
Underlying operating profit	47.3	(6.3)%	46.5	(7.9)%	50.5



## UNDERLYING OPERATING PROFIT (£m)



The underlying operating profit of £71.1m (2023: £69.2m) resulted in an underlying operating margin of 13.9% (2023: 14.6%). The Group margin has fallen primarily reflecting the impact of operational challenges at our Tennessee countermeasures business, and the lower margin legacy US government contract that impacted the year.

Total finance expense has increased to £4.8m (2023: £1.3m) reflecting the continued investment in our niche Energetics businesses combined with higher interest rates versus the comparative period.

Statutory operating profit was £58.1m (2023: £45.4m) and after statutory finance expenses of £4.8m (2023: £1.3m), statutory profit before tax was £53.3m (2023: £44.1m). The statutory profit after tax from continuing operations was £42.7m (2023: £37.7m) giving a statutory basic earnings per share from continuing operations of 15.7p (2023: 13.4p).

A reconciliation of underlying to statutory profit measures is provided in note 3. The non-underlying costs relate to the amortisation of acquired intangibles, change of senior management, defined benefit pension buy-in and buy-out transaction costs, releases of legal and disposal provisions, costs relating to acquisitions, loss on the movement in the fair value of derivative financial instruments and tax credit associated with these.

### TAX

The underlying tax charge totalled £12.3m (2023: £10.2m) on an underlying profit before tax of £66.3m (2023: £67.9m). The effective tax rate on underlying profit before tax for the year was a charge of 18.6% (2023: 15.0%).

The Group effective tax rate increased, reflecting the full year effect of the increase in the UK corporation tax rate and an increased weighting of UK profit. The statutory tax charge totalled £10.6m (2023: £6.4m) on a statutory profit before tax of £53.3m (2023: £44.1m).

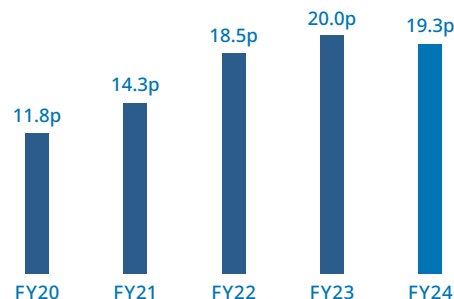
### EARNINGS PER SHARE FROM CONTINUING OPERATIONS

Underlying basic earnings per share from continuing operations was 19.8p (2023: 20.5p) and diluted underlying earnings per share from continuing operations was 19.3p (2023: 20.0p). Statutory basic earnings per share was 15.7p (2023: 13.4p) and statutory diluted earnings per share was 15.3p (2023: 13.1p).

### WORKING CAPITAL

Working capital was £88.3m (2023: £82.3m), an increase of £6.0m. As a percentage of revenue, working capital has remained stable at 17% (2023: 17%). We continued with our focus on commercial contracting, inventory levels and cash management. Year-end trade receivable days of 15 (2023: 16) and trade payable days of 30 (2023: 18) demonstrate that working capital has been managed in a balanced and sustainable manner.

## UNDERLYING DILUTED EPS (PENCE)



## GROUP FINANCIAL POSITION

### Capital expenditure

The continued improvement in market conditions for our Energetics businesses, reflected in the order intake and order book, has presented a strong organic growth opportunity to expand capacity at these sites in parallel with the planned modernisation to capitalise on the long-term demand we are seeing. As announced at the half year, the Board approved an increase to our three-year capital investment programme from £120m to £200m, which, when completed, is expected to increase revenue by £100m per annum and operating profit by £30m per annum in 2028. In addition to this, in March 2024 we announced that our Norwegian business had been awarded grant funding of £90m in support of its capacity expansion projects, of which £19.7m had been received by the year end, meaning that the net investment required by the Group will now be £110m in total.

In the year £64.8m (2023: £32.7m) was spent on property, plant and equipment which includes the above-mentioned programmes as well as ongoing capital investment to continually enhance safety and operational performance.

### Capital allocation

Our disciplined approach to capital allocation prioritises organic and inorganic investment, a growing and sustainable dividend, other returns to shareholders and a prudent approach to leverage.

We continue to recognise that dividends are an important component of total shareholder returns. The dividend for 2024, subject to approval at the AGM, was 7.8p (2023: 6.9p). The Board is pleased to have achieved the objective of a sustainable dividend cover of c.2.5 times underlying EPS, which will continue subject to maintaining a strong financial position.

In 2023 we announced the details of a share buyback programme to repurchase up to £50m of our own shares. We have cumulatively returned a total of £37m to shareholders against this programme through October 2024. The Board has not extended the programme beyond 17 December 2024 and so any unspent amounts will not be utilised.

The Group's net debt at 31 October 2024 was £52.8m (2023: £14.4m), representing a net debt to underlying EBITDA ratio of 0.56x (2023: 0.16x).

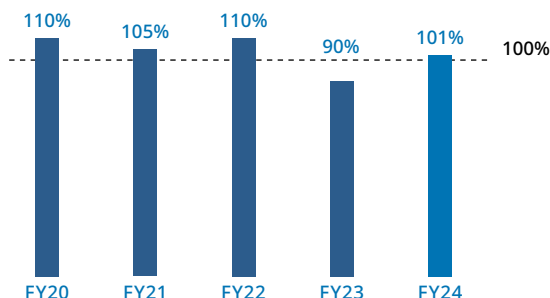
Underlying operating activities generated cash of £96.0m (2023: £80.0m) and statutory operating activities generated cash of £90.5m (2023: £75.2m). Underlying cash conversion was 102% (2023: 90%) of underlying EBITDA, and an average of 101% on a rolling 36-month basis (2023: 101%).



## FINANCIAL REVIEW continued

## New record order book, strong cash generation, funding further investment to increase capacity continued

### UNDERLYING CASH CONVERSION (%)



### DEBT FACILITIES

The Group's principal debt facilities comprise a £150m revolving credit facility up to December 2025, of which £130m has been extended to December 2026. The revolving credit facility was established in July 2021 with a syndicate of six banks. In addition, we have a US\$20m swingline overdraft facility for use in the US. In October 2024, the Group entered into a UK Export Finance Export Development Guarantee facility led by Barclays PLC for up to £80m. This is a four-year, arm's length facility with a one-year draw down period and a three-year amortising repayment schedule. It is to be used to support the UK investments primarily in our niche Energetics business in Scotland but also at Roke and our UK Countermeasures business. As at 31 October 2024, this facility was undrawn. The Group had £157.4m (2023: £142.9m) of undrawn borrowing facilities at the year end. The Group is subject to two key financial covenants, which are tested quarterly. These covenants relate to the leverage ratio between underlying EBITDA and net debt, and the interest cover ratio between underlying EBITDA and finance costs. The calculation of these ratios involves the translation of non-sterling denominated debt using average, rates of exchange, rather than closing. The Group was in compliance with the covenants throughout the year.

### RETIREMENT BENEFIT OBLIGATIONS

On 28 November 2023 the trustees of the Chemring Group Staff Pension Scheme ("the Scheme") entered into a buy-in contract with an insurer, Pension Insurance Corporation ("PIC"). The Group has made payments to the Scheme of £3.0m to date and expects to pay c.£1.1m over the next year as a contribution to the buy-in premium, to provide funding for the rectification of certain members' benefits and to meet the costs associated with the initial buy-in and eventual buy-out of the Scheme. On completion of the full buy-out of the Scheme, the defined benefit assets and matching defined benefit liabilities will be derecognised from the Group balance sheet.

The surplus on the Group's defined benefit pension scheme was £0.1m (2023: £5.9m), measured in accordance with IAS 19 (Revised) *Employee Benefits*.

### THREE-YEAR ROLLING CASH CONVERSION

# 101%

(2023: 101%)

### ORDER BOOK

# £1,038m

(2023: £922m)

### RESEARCH AND DEVELOPMENT

R&D expenditure was £131.3m (2023: £113.6m). Continued investment in R&D is a key aspect of the Group's strategy, and levels of internally-funded R&D are expected to be maintained as investment in product development continues, particularly within Sensors & Information. An analysis of R&D expenditure is set out below:

	2024 £m	2023 £m
Customer-funded R&D	114.0	102.0
Internally-funded R&D:		
– expensed to the income statement	14.2	10.1
– capitalised	3.1	1.5

### CONSTANT CURRENCY

	2024 £m	2023 £m	Growth %
Revenue (as reported)	510.4	472.6	8.0%
Effect of using prior period foreign exchange rates	6.9		
Revenue at constant currency	517.3	472.6	9.5%
Underlying operating profit (as reported)	71.1	69.2	2.7%
Effect of using prior period foreign exchange rates	0.6		
Underlying operating profit at constant currency	71.7	69.2	3.6%





## ALTERNATIVE PERFORMANCE MEASURES ("APMS")

In the analysis of the Group's financial performance and position, operating results and cash flows, APMs are presented to provide readers with additional information. The principal APMs presented are underlying measures of earnings including underlying operating profit, underlying profit before tax, underlying profit after tax, underlying EBITDA, underlying earnings per share, underlying operating cash flow and underlying cash conversion. In addition, EBITDA, net debt, underlying operating profit and revenue on a constant currency basis are presented which are also considered to be non-IFRS measures. These measures are consistent with information regularly reviewed by management to run the business, including for planning, budgeting and reporting purposes and for its internal assessment of the operational performance of individual businesses.

A reconciliation of underlying measures to statutory measures is provided below:

	2024			2023		
	Underlying	Non-underlying	Statutory	Underlying	Non-underlying	Statutory
<b>Group – continuing operations:</b>						
EBITDA (£m)	93.7	(11.0)	82.7	88.5	(20.8)	67.7
Operating profit (£m)	71.1	(13.0)	58.1	69.2	(23.8)	45.4
Profit before tax (£m)	66.3	(13.0)	53.3	67.9	(23.8)	44.1
Tax charge (£m)	(12.3)	1.7	(10.6)	(10.2)	3.8	(6.4)
Profit after tax (£m)	54.0	(11.3)	42.7	57.7	(20.0)	37.7
Basic earnings per share (pence)	19.8	(4.1)	15.7	20.5	(7.1)	13.4
Diluted earnings per share (pence)	19.3	(4.0)	15.3	20.0	(6.9)	13.1
<b>Group – discontinued operations:</b>						
Loss after tax (£m)	(1.3)	(1.9)	(3.2)	(0.9)	(31.4)	(32.3)
<b>Sectors – continuing operations:</b>						
Sensors & Information EBITDA (£m)	47.3	(3.2)	44.1	38.5	(22.2)	16.3
Sensors & Information operating profit (£m)	41.4	(4.0)	37.4	34.2	(23.5)	10.7
Countermeasures & Energetics EBITDA (£m)	63.2	2.8	66.0	65.5	—	65.5
Countermeasures & Energetics operating profit (£m)	46.5	1.6	48.1	50.5	(1.7)	48.8

We present a measure of constant currency revenue and operating profit. This is calculated by translating our results for the year ended 31 October 2024 at the average exchange rates for the comparative year ended 31 October 2023.

The Group manages its finance costs and tax on a central or regional basis and therefore the Board believes the use of underlying operating profit or EBITDA is an effective way of monitoring the performance of operating businesses. The strategic report includes both statutory and adjusted measures, the latter of which, in management's view, reflect how the business is managed and measured on a day-to-day basis. Our APMs and KPIs are aligned to our strategy and together are used to measure the performance of our business and form the basis of the performance measures for remuneration. Adjusted results exclude certain items because, if included, these items could distort the understanding of our performance for the year and the comparability between the periods.

Management considers non-underlying items to be:

- amortisation of acquired intangibles;
- discontinued operations;
- exceptional items, for example relating to acquisitions and disposals, restructuring costs, impairment charges, defined benefit pension buy-in/buy-out costs and legal costs;
- gains or losses on the movement in the fair value of derivative financial instruments; and
- the tax impact of all of the above.

Our use of APMs is consistent with the prior year and we provide comparatives alongside all current year figures. The directors believe that these APMs assist with the comparability of information between reporting periods and reflect the key performance indicators used within the business to measure performance. The term underlying is not defined under IFRS and may not be comparable with similarly titled measures used by other companies. All profit and earnings per share figures in this strategic report relate to underlying business performance (as defined above) unless otherwise stated. Further details are provided in note 3.

The adjustments comprise items impacting EBITDA:

- loss on the movement in the fair value of derivative financial instruments of £2.0m (2023: £1.4m gain);
- costs relating to acquisitions, including deferred consideration treated as an expense under IFRS 2, of £3.4m (2023: £3.7m);
- defined benefit pension buy-in/buy-out of £7.5m (2023: £nil);
- change of senior management positions of £1.2m (2023: £nil);
- impairment of Chemical Detection assets of £nil (2023: £18.5m);
- release of disposal provisions £nil (2023: £3.2m);
- release of legal provision in relation to the 2018 incident at Chemring Countermeasures UK of £3.1m (2023: £nil);

Items impacting profit before tax:

- amortisation of acquired intangibles of £2.0m (2023: £3.0m);

Items impacting continuing profit after tax:

- tax impact of the adjustments above: £1.7m credit (2023: £3.8m credit);

Items relating to discontinued operations:

- discontinued operations in respect of the Explosive Hazard Detection ("EHD") business in Sensors & Information, net of tax, credit of £4.5m (2023: £31.4m charge) which includes an impairment of goodwill and other assets; and
- an increase in disposal provision relating to a discontinued operation of £6.4m (2023: £nil).

**James Mortensen**  
Chief Financial Officer  
17 December 2024



## RISK MANAGEMENT

# Effective risk management

We continue to manage key risks to ensure the effective delivery of the Group strategy.

## RISK MANAGEMENT ORGANISATION

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 risk is effectively managed across the Group.

The Board regularly reviews the Group risk register 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 and monitoring the effectiveness of the Group's internal control framework, including financial, operational and reporting 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 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 risks at the business unit level 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);
- Greg Moore (US President);
- Sarah Ellard (Group Legal Director & Company Secretary);
- Steve Hawkins (US Vice President, HSE);
- Steve Messam (Group HSE Director);
- James Mortensen (Chief Financial Officer);
- Rupert Pittman (Group Director of Corporate Affairs); and
- Olivia Wardlaw (Internal Audit Manager).

## 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 a range of 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, which reports directly to the Audit Committee, and assurance and audit reviews by external auditors, specialist consultants and regulators.

## APPROACH TO RISK MANAGEMENT

The management of each business is responsible for the identification, management and reporting of local risks, in accordance with the Group's risk management framework. The management of each business is also responsible for the maintenance of business risk registers and the implementation of mitigation plans.

Each business is required to maintain a risk register identifying their key risks. The risk registers include an analysis of the likelihood and impact of each risk, before and after mitigation actions are taken to manage the risk, together with details of the mitigation plans and progress against them. Each risk is allocated an owner, who has responsibility for managing the risk.

The business risk registers are updated quarterly and are reviewed in detail by the Group Chief Executive, the Chief Financial Officer, the US President and other members of the Executive Committee at quarterly business review meetings with each of the businesses. The US Risk Management Committee reviews the risk registers for the US businesses, considers US corporate-level risks and maintains a consolidated US risk register.

The Risk Management Committee meets at least three times a year and, utilising the input from the business risk registers and the US risk register, identifies those principal risks which are material to the Group as a whole. The Risk Management Committee also considers corporate-level risks and emerging risks, as referenced below. These risks are collated on the Group risk register, together with details of the applicable mitigation plans and risk owners.

The Group has implemented an Operational Framework, incorporating a broad range of policies and procedures which are required to be adopted by all businesses. An annual operational assurance process is a fundamental part of the Operational Framework and provides an assessment of compliance with the Operational Framework policies across the Group. The output of the operational assurance process provides additional visibility on risks across the Group and is utilised by the Risk Management Committee as a further input to the Group risk register. The operational assurance process also provides assurance to the Board that the Group's internal systems and controls are operating effectively.

The full Group risk register is reviewed by the Board on a half-yearly basis and key individual risks are reviewed at every Board meeting.

## KEY ROLES AND RESPONSIBILITIES FOR THE GROUP'S RISK MANAGEMENT STRATEGY

### BUSINESS MANAGEMENT

- Responsible for the implementation of the Group's risk management framework at the operational level
- Maintain business unit risk registers and provide input to the Risk Management Committee
- Responsible for compliance with internal controls

### RISK MANAGEMENT COMMITTEE

- Oversees the implementation of the Group's risk management framework
- Monitors compliance with the Group's internal control systems
- Maintains the Group risk register

### AUDIT COMMITTEE

- Reviews the effectiveness of the Group's risk management framework and systems of internal control
- Oversees the effectiveness of the Group's internal audit arrangements

### THE BOARD

- Overall responsibility for risk management
- Determines the Group's risk appetite
- Reviews the Group risk register



## KEY AREAS OF FOCUS DURING THE YEAR

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

- We continued to promote our Fundamental Safety Principles and our SWIM ("Stop, Warn, Inform and Manage") process. We have continued to improve on the shared learning of findings from all significant incidents.
- We have further enhanced our HSE data collection and implemented a new environmental performance data collection and reporting system.
- We have taken steps to further reduce the risk of personnel exposure during process safety events, and trialled and adopted a new performance metric to drive improvements in this area.
- We have engaged additional external resource and established internal steering committees to ensure the successful delivery of our key capital investment programmes.
- Additional IT and cyber-security standards have been implemented, and we have partnered with industry-leading managed detection and response providers to monitor our systems, networks and the dark web in order to respond to cyber threats on a 24/7 basis. Learnings from regulatory audits have been shared and improvement actions implemented across the Group. We have continued to evolve and test our cyber incident response plans.
- We have reviewed our succession and talent management programmes to address our key people-related risks.
- We have updated our assessment of key climate change risks and opportunities.
- Our internal audit programme has continued to incorporate thematic reviews in key risk areas.

## PRINCIPAL RISKS

In 2024, we recategorised our principal risks to focus on four areas. We now categorise our risks as strategic, operational, legal and governance, or business related.

> DETAILS OF THE PRINCIPAL RISKS ARE SET OUT ON PAGES 74 TO 82

## EMERGING RISKS

The UK Corporate Governance Code requires the Board to undertake a robust assessment of the emerging risks that may impact the Group in the future. This requirement has been reflected in the Group's risk management processes and emerging risks are considered by the Risk Management Committee when compiling the Group risk register.

Emerging risks are identified through discussions with both external and internal subject matter experts and other stakeholders, including customers and regulators, and through horizon scanning of future developments in areas relevant to the Group's business operations.

Certain emerging risks relating to future technological, regulatory, financial and macro-economic changes are reflected on the Group risk register and mitigation plans implemented accordingly. However, other emerging risks have also been identified, where we are still endeavouring to determine the potential impact on the Group.

## RISK REVIEW

The Board conducts an annual review of the effectiveness of the Group's systems of internal control and risk management systems. As part of this review the Board considers:

- the operational and financial reports received from the executive management throughout the year;
- the Group risk register; and the mitigation actions being taken to manage key risks;
- output from the operational assurance process; and
- internal audit reports and reports from the other assurance processes in place across the Group.

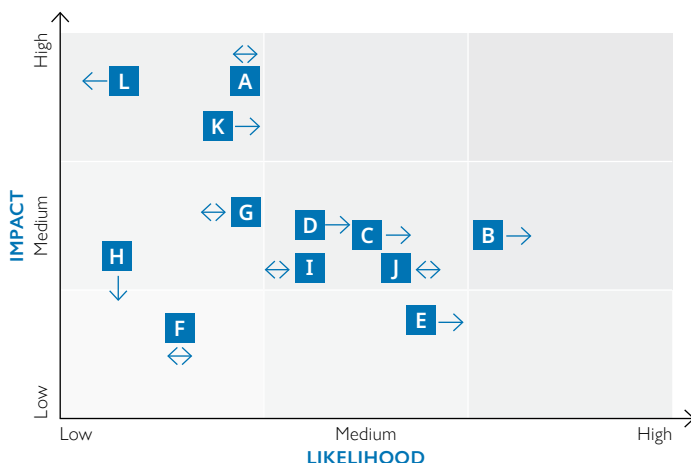
The Board confirms that there is an ongoing process for identifying, evaluating and managing the principal risks faced by the business, and that robust systems of internal control and risk management were in place throughout the year under review and have remained in place up to the date of approval of these financial statements.

The Board acknowledges, however, that the internal control systems can only provide reasonable, not absolute, assurance against mismanagement or loss of the Group's assets. The Board therefore continues to take steps to embed internal control and risk management further into the operations of the Group, and to address any areas for potential improvement which come to the attention of management and the Board.

The Board assessed the principal and emerging risks to which the Group is exposed as part of its half-yearly review of the Group risk register. The Board considered whether all applicable risks had been adequately captured in the Group risk register and whether the requisite progress had been made on the mitigation actions to address significant risks. The Board also reviewed its risk appetite for the principal risks to which the Group is exposed.

## RISK HEAT MAP

The heat map below illustrates the relative inherent and residual positioning of our principal risks from an impact and likelihood perspective.



- |   |                                    |
|---|------------------------------------|
| <b>A</b> Occupational and process safety    | <b>G</b> Technology                |
| <b>B</b> Environmental laws and regulations | <b>H</b> Financial                 |
| <b>C</b> Climate change                     | <b>I</b> Operational               |
| <b>D</b> Market                             | <b>J</b> People                    |
| <b>E</b> Political                          | <b>K</b> Cyber-security            |
| <b>F</b> Contracts                          | <b>L</b> Compliance and corruption |



## PRINCIPAL RISKS AND UNCERTAINTIES

# Risk management in action

As our businesses continue to evolve, so does the risk landscape in which they operate. The table below summarises the changes to the Group's principal risks and uncertainties during the year, identifies whether the trend in the risk profile from the Group's perspective increased, decreased or remained stable, and provides an indication of the future outlook.

PRINCIPAL RISK/ UNCERTAINTY	WHAT HAS CHANGED AND THE FUTURE OUTLOOK
<b>A</b> Occupational and process safety	<p>↔</p> <p>During the year, the level of reporting and the standard of investigation for process upset conditions continued to improve and we continued to put in place mitigations to reduce the likelihood of an energetic event occurring. In addition, we have further strengthened our asset integrity programme and continued to drive improvements through the sharing of learnings from significant incidents. We also continue to invest in new automated production systems and improve process controls for our legacy operations.</p> <p>Our total recordable injury frequency rate reduced to 0.69 in 2024, compared to 0.90 in 2023, and remained below our Group limit of 1.0. This reflected a reduction in the number of recordable injuries from 21 in 2023 to 20 in 2024, despite the growth in the business. Most injuries were caused by slips, trips or falls, or were musculoskeletal in nature. There were no injuries sustained from energetic ignitions during the year or in the prior year.</p> <p>For 2025, we have introduced an additional personnel exposure metric in order to track process safety events involving potential personnel exposure and reduce their occurrence. We hope to see further improvements in process safety in 2025 as we continue with our capital investment and asset integrity programmes. The limit for the total recordable injury frequency rate will be reduced from 1.0 to 0.9 in 2025.</p>
<b>B</b> Environmental laws and regulations	<p>↑</p> <p>Environmental risks continue to increase with the increased focus on climate change and the environmental impact of our businesses.</p> <p>As part of our ESG strategy, we have implemented a more centralised approach to the management of our environmental performance, recognising that minimising our environmental impact and addressing climate change-related risks is becoming increasingly important. We continue to improve our reporting capabilities to help us effectively monitor the environmental impact of our businesses and to identify priorities for investment and allocation of resources. During the year, we implemented a new environmental performance data collection and reporting system, which will facilitate the collection of our scope 3 emissions data going forward.</p> <p>The ESG Committee is responsible for oversight of the Group's ESG programmes and monitoring of progress against the Group's ESG-related strategic objectives.</p> <p>The sale or closure of several sites during recent years has reduced the Group's overall exposure to environmental risks. However, we retain a financial liability for environmental remediation of certain sites formerly owned by the Group, most notably those occupied by the divested munitions businesses in Belgium and Italy. The risks and mitigations associated with these exposures continue to be monitored and managed.</p> <p>Over the last year, regulatory authorities in Europe and the US have further increased their focus on the risks associated with pre- and polyfluoroalkyl substances ("PFAS") and the open burning of energetic waste. We continue to monitor developments in these areas and the potential implications for our manufacturing facilities.</p>
<b>C</b> Climate change	<p>↑</p> <p>We continue to review and monitor the climate change-related risks most likely to impact the Group's operations, further details of which are set out on pages 48 and 56. Climate change-related risks and the potential impact of changed weather patterns on our operations are identified as principal risks on the Group risk register and are monitored by the ESG Committee.</p> <p>At the business unit level, our businesses have in place local risk registers and business continuity plans, which help to identify and mitigate potential risks associated with flooding, storms, wildfires and changes to weather patterns. The businesses continue to undertake scenario planning as part of their business continuity plans to identify potential risks and the mitigations which might be put in place.</p>
<b>D</b> Market	<p>↑</p> <p>Ongoing conflicts, particularly in Ukraine and the Middle East, continue to shape the threat environment, with a resurgence in demand for classical kinematic capabilities, alongside growing information advantage and intelligence requirements. However, economic pressures may continue to place defence spend under pressure.</p>
<b>E</b> Political	<p>↑</p> <p>Political tensions across the world continue to increase the risk of disruption in our non-NATO markets.</p> <p>We continue to focus our business development and sales and marketing activities on our home markets and their allied countries. We will continue to engage with the new administrations in the UK and the US.</p>
<b>F</b> Contracts	<p>↔</p> <p>The implementation of the Operational Framework has significantly increased our visibility on commercial and contracting practices across the Group, and is enabling us to manage contractual risk exposures more effectively.</p>
<b>G</b> Technology	<p>↔</p> <p>Innovation is one of our core values and our technology-led development programmes continue to be a significant area of focus.</p> <p>In 2024, Roke continued to see strong growth in its R&amp;D service activities. Roke continues to focus on capturing opportunities for its capabilities across all sectors.</p> <p>Chemring Sensors &amp; Electronic Systems in the US continues to develop its innovative biological detection systems, which can identify threats more rapidly and cost effectively than existing solutions.</p> <p>Chemring Energetic Devices in the US continues to develop innovative technologies for commercial space launch applications.</p> <p>We also continue to embrace technology to improve our operations and manufacturing processes.</p>



PRINCIPAL RISK/ UNCERTAINTY		WHAT HAS CHANGED AND THE FUTURE OUTLOOK
H	Financial	<p>↓</p> <p>The Group's revolving credit facilities extend to December 2026, and the Group secured an additional loan facility supported by UK Export Finance.</p> <p>Our bank covenant of net debt: EBITDA was 0.56x at the year end, well within the covenant limit of 3.0x. Our bank covenant of interest cover was 15.28x, well within the covenant limit of 4.0x.</p> <p>The risks associated with funding of the legacy UK defined benefit pension scheme are now significantly mitigated, following completion of the initial buy-in transaction with Pensions Insurance Corporation. On completion of the full buy-out of the scheme, which is expected to take place in 2026/27, the defined benefit assets and matching defined benefit liabilities will be derecognised from the Group balance sheet.</p> <p>Significant grant funding was secured to support the capital expansion plans at our Energetics facility in Norway during the year.</p>
I	Operational	<p>↔</p> <p>We continue to invest in plant automation and modernisation of facilities across the Group to mitigate a range of operational and safety risks. We have also implemented a Group-wide asset integrity programme to improve the resilience of our operations.</p> <p>Steering committees have been established and additional external resource has been engaged to assist with the project management of the capital expansion projects at our Energetics facility in Norway.</p>
J	People	<p>↔</p> <p>Resourcing continues to present a challenge for a number of our businesses, particularly in parts of the US where buoyant demand in the employment market makes it more difficult to recruit and retain employees. We also continue to face shortages of engineers and skilled maintenance personnel.</p> <p>We continued to make good progress on delivery of our development initiatives, with the second cohort of 52 employees having completed the Aspire@Chemring programme and over 70 employees having participated in our early careers programme.</p> <p>We continue to focus on communications using a wide range of formal and informal channels, both at the corporate level and within individual businesses.</p> <p>New employee engagement systems were implemented at a number of our businesses during the year, which will enable us to monitor employee sentiment more effectively and provide employees with an opportunity to give feedback on changes as they occur.</p> <p>We remain on track to increase our gender ratio of females in senior management roles to at least 33% by 2027, with 31% of senior management positions held by females at the end of 2024. This will continue to be an area of focus as the Group grows.</p>
K	Cyber-security	<p>↑</p> <p>While we have an ongoing programme to address IT and cyber-security risks, the threats in this area are increasingly more sophisticated, relentless and adaptive. We continuously assess and evolve our cyber-security programme to detect and respond to threats and vulnerabilities.</p> <p>We consider the risk associated with cyber-security as two discrete risks – one associated with cyber-security compliance and the other relating to our cyber incident response preparedness, which enables us to monitor mitigation actions for both risks more effectively.</p> <p>Further significant progress was made towards achieving compliance with the Chemring Cyber-Security Standard at a number of businesses during the year. The Group requires all businesses to implement a set of controls, based on cyber-security best practices, which are designed to promote good cyber hygiene and safeguard information.</p>
L	Compliance and corruption	<p>↓</p> <p>The Operational Framework and the associated operational assurance process continue to ensure that we effectively manage legal and compliance risks across the Group.</p> <p>Our Group-wide online compliance system, the Chemring Compliance Portal, is fully embedded within the businesses. The portal hosts our Operational Framework policies and associated training material, and the system also helps to automate our anti-bribery processes.</p> <p>The strategic risks associated with compliance with our Special Security Agreement with the US Government remain stable.</p>

#### CHANGE IN RISK PROFILE DURING THE YEAR

- ↑ Increasing
- ↔ Stable
- ↓ Decreasing



PRINCIPAL RISKS AND UNCERTAINTIES *continued*

# Principal risks and uncertainties

Details of the principal risks and uncertainties which could have a material impact on the Group's business model, strategy, future performance or reputation are set out below. The principal risks are identified by the Risk Management Committee based on the likelihood of occurrence and the potential impact on the Group as a whole.

## HEALTH, SAFETY AND ENVIRONMENT RISKS

### A. OCCUPATIONAL AND PROCESS SAFETY

#### Risk and potential impacts

The Group's operations involve energetic materials that, by their nature, have inherent safety risks.

- Incidents may occur which could result in harm to employees, the temporary shutdown of facilities or other disruption to manufacturing processes.
- The Group may be exposed to financial loss, regulatory action and potential liabilities for workplace injuries and fatalities.


#### Example key risk indicators:

- Total recordable injury frequency rate.
- Number of process safety events including those that result in personnel exposure.
- Number of near miss reports.

#### Mitigation actions/factors

- Safety reinforced as a core value.
- Continued emphasis on the "Journey to Zero Harm" and promotion of a culture which puts safety first and encourages employees to take personal responsibility for their actions.
- HSE Strategy and HSE Management System Framework Standard fully implemented within the businesses.
- Robust major accident hazard analysis process to identify, evaluate and mitigate significant process safety risks, adopted across the Group.
- Asset integrity standard adopted.
- Group-wide standard on management of electrostatic discharge hazards adopted.
- Incident investigation and crisis management standards adopted.
- Process established for Group-wide review of learnings from significant incidents.
- Technical Safety Committee established.
- Fundamental Safety Principles issued to all employees.
- "Stop, Warn, Inform, Manage" campaign instigated to ensure incidents are avoided and to prevent reoccurrence.
- Continued focus on near miss identification and reporting.
- Continued programme of capital investment in older facilities to improve safety and reliability.
- Establishment of automated production facilities where appropriate.

> **SEE ALSO: HEALTH AND SAFETY ON PAGES 46 TO 47**

**Inherent risk:**  High

**Risk appetite:**  Low

**Trend:**  Stable

**Link to strategy:**



**Link to values:**



### B. ENVIRONMENTAL LAWS AND REGULATIONS

#### Risk and potential impacts

The Group's operations and ownership or use of real property are subject to a number of federal, state and local environmental laws and regulations. At certain sites, currently or formerly owned or operated by the Group, there is known or potential contamination for which there is, or may be, a requirement to remediate or provide resource restoration.

- The Group could incur substantial costs, including remediation costs, resource restoration costs, fines and penalties, or be exposed to third party property damage or personal injury claims, as a result of liabilities associated with past practices or violations of environmental laws or non-compliance with environmental permits.

#### Example key risk indicators:

- Carbon emissions.
- Energy and water utilisation.
- Volume of waste produced.
- Number of environmental incidents.

#### Mitigation actions/factors

- Monitoring programmes established at certain sites and appropriate financial provisions held.
- Environmental liability insurance procured for certain risks.
- Environmental consultants retained to manage indemnification obligations for legacy site remediations.
- ESG and Environmental Committees established.
- Emerging environmental and regulatory risks monitored by the Risk Management Committee.

> **SEE ALSO: ENVIRONMENT ON PAGES 48 TO 51, AND TCFD REPORT ON PAGES 52 TO 60**

**Inherent risk:**  Medium

**Risk appetite:**  Low

**Trend:**  Increasing

**Link to strategy:**



**Link to values:**





## C. CLIMATE CHANGE

### Risk and potential impacts

The Group's operations and delivery of our strategy could be impacted by climate change-related risks, including those associated with wildfires, severe weather events and new climate-related requirements in relation to the Group's manufacturing processes and products.

- Wildfires and severe weather events could result in harm to employees, the temporary shutdown of facilities or other disruption to manufacturing processes.
- The Group may be exposed to financial loss for business interruption and/or increased expenditure for adapting its production facilities and processes to address climate change-related risks.

#### Example key risk indicators:

- Frequency of wildfires and severe weather events.
- New legislation.

### Mitigation actions/factors

- Additional measures have been implemented, such as cutting back grassland close to manufacturing operations, to mitigate the risk of wildfires.
- Drainage has been improved on certain sites to mitigate the impact of potential flooding events.
- Carbon reduction plans and other environmental performance targets have been established to reduce the Group's environmental impact.
- Close relationships are maintained with customers, which should provide early insight into new environmental requirements which are to be imposed by customers.
- Property damage and business interruption insurance procured, and engagement undertaken with insurers including visits to sites and claims scenario workshops.

> **SEE ALSO: ENVIRONMENT ON PAGES 48 TO 51, AND TCFD REPORT ON PAGES 52 TO 60**

**Inherent risk:** Medium

**Risk appetite:** Low

**Trend:** Increasing

**Link to strategy:**

[G](#) [A](#) [P](#)

**Link to values:**

[S](#) [E](#) [I](#)

## STRATEGIC RISKS

### D. MARKET

#### Risk and potential impacts

Defence spending depends on a complex mix of political considerations, fiscal constraints and the requirements of the armed forces to address specific threats and perform certain missions. Overall defence spending may therefore be subject to significant yearly fluctuations and there may also be downward pressure on defence budgets in certain key programme areas.

The Group's profits and cash flows are dependent, to a significant extent, on the timing of award of defence contracts. In general, the majority of the Group's contracts are of a relatively short duration and, with the exception of framework contracts with key customers, do not cover multi-year requirements.

- The Group's financial performance may be adversely impacted by lower defence spending by its major customers, either generally or in relation to certain programmes.
- Short-term trading and cash constraints may impact on the Group's ability to invest in longer-term technologies and capabilities.
- Unmitigated delays in the receipt of orders or cancellation of existing contracts could affect the Group's financial performance. If the Group's businesses are unable to continue trading profitably during periods of lower order intake, financial performance will deteriorate, and assets may be impaired.

#### Example key risk indicators:

- Defence budget cuts.
- Reduction in order intake.
- Deterioration in profitability.

#### Mitigation actions/factors

- Engagement with government customers regarding the future direction of defence budgets and key priorities, including the UK Government's Strategic Defence Review.
- Continual assessment of alignment of planned organic growth strategies and technology roadmaps against government priorities for future funding.
- Increased focus on the development of commercial products and services.
- Focus on organisational development to ensure the business is appropriately structured to meet current and future needs, and to provide resilience in difficult market conditions.
- Continued focus on order intake as a key performance indicator.
- Continued review of the Group's portfolio and inorganic growth opportunities.
- Pursuit of long-term, multi-year contracts with major customers wherever possible.

> **SEE ALSO: MARKET OVERVIEW ON PAGES 18 TO 19**

**Inherent risk:** Medium

**Risk appetite:** Low to moderate

**Trend:** Increasing

**Link to strategy:**

[G](#) [A](#) [P](#)

**Link to values:**

[S](#) [E](#) [I](#)



## PRINCIPAL RISKS AND UNCERTAINTIES continued

## Principal risks and uncertainties continued

## STRATEGIC RISKS continued

## E. POLITICAL

## Risk and potential impacts

Increasing political, social and economic uncertainty and volatility may lead to changes in the political landscape. In addition, there is a significant risk of political unrest and changes in the political structure in certain non-NATO countries to which the Group currently sells.

- The Group's business in certain countries may be adversely affected in a way that is material to the Group's financial position and the results of its operations.
- Political changes could impact future defence budgets and priorities or the Group's ability to export products to certain countries.

## Example key risk indicators:

- Political changes.
- Suspension/withdrawal of export licences.
- International sanctions.
- Reduction in order intake.

## Mitigation actions/factors

- Relationships maintained at political level in key countries and with senior customer representatives.
- Financing arrangements implemented, including letters of credit and advance payments, for contracts with high-risk customers.
- Political risks insurance procured in certain circumstances.
- Continued focus on the development of commercial business across the Group, particularly in key home territories.

> SEE ALSO: MARKET OVERVIEW ON PAGES 18 TO 19

Inherent risk: Low

Risk appetite: Low to moderate

Trend: Increasing

Link to strategy:

Link to values:

## F. CONTRACTS

## Risk and potential impacts

The Group's government contracts may be terminated at any time and may contain other unfavourable provisions.

The Group may need to commit resources in advance of contracts becoming fully effective, to ensure prompt fulfilment of orders or to enable conditions precedent to be met.

- The Group may suffer financial loss if its contracts are terminated by customers, or a termination arising out of the Group's default may have an adverse effect on its ability to compete for future contracts and orders.
- Unfavourable commercial contract terms may adversely impact the Group's working capital position, particularly if the receipt of payments by the Group is delayed.

## Example key risk indicators:

- Number of contract claims/terminations.
- Increase in working capital.
- Delays in customer payments.
- Number of bonds or guarantees called.

## Mitigation actions/factors

- Relationships maintained at political level in key countries and with senior customer representatives.
- The Commercial Policy within the Operational Framework requires central approval for certain contractual risk exposures.
- Commercial and contract risk management training programme implemented.
- Advance and stage payments negotiated with customers wherever possible, in order to improve working capital management.

Inherent risk: Low

Risk appetite: Moderate

Trend: Stable

Link to strategy:

Link to values:



## G. TECHNOLOGY

### Risk and potential impacts

The Group may fail to maintain its position on key future programmes due to issues with capability development, technology transfer or cost-effective manufacture.

The Group needs to continually add new products to its portfolio, through innovation and an emphasis on research and development. New product development may be subject to delays, or may fail to achieve the requisite standards to satisfy volume manufacturing requirements and the production of products against high reliability and safety criteria to meet customer specifications.

- Failure to obtain production contracts on major development programmes may significantly impact the future performance and value of individual businesses.
- Failure to complete planned product development and upgrades successfully may have financial and reputational impacts, and may result in obsolescence or loss of future business.

#### Example key risk indicators:

- Reduction in R&D expenditure.
- Delays in R&D programmes.
- Delays in qualification of products.
- Loss of production contracts.
- Emergence of new competitors and disruptive technologies.

### Mitigation actions/factors

- Close relationships maintained with customers on all key future programmes.
- New Product Development Policy and procedures adopted, to align the approach to future technology investment across the Group.
- Technology investments aligned with the five-year plan.
- Working groups established to drive and co-ordinate technology growth in certain key areas within Countermeasures & Energetics and Sensors & Information.

**Inherent risk:** Medium

**Risk appetite:** Moderate

**Trend:** Stable

**Link to strategy:**

[G](#) [A](#) [P](#)

**Link to values:**

[S](#) [E](#) [I](#)

## H. FINANCIAL

### Risk and potential impacts

The Group is exposed to a range of financial risks, both externally driven, such as fluctuations in foreign exchange rates, and specific to the Group.

Specific financial risks could arise out of a disruption to operations; failure to deliver strategic objectives, including planned investment; or customer-related events, including defaults on the payment of debts.

As a result of a number of past events, the Group is exposed to a number of contingent liabilities which may or may not result in future cash outflows. (Further details are contained in note 34 of the Group financial statements).

- The Group may fail to comply with financing covenants and be unable to meet debt repayments, leading to withdrawal of funding or additional costs of maintaining funding.
- Operational results may be impacted by unexpected financial losses or increased costs.

Further details of the financial risks to which the Group is potentially exposed, and details of mitigating factors are set out in the financial review and note 22 of the Group financial statements.

#### Example key risk indicators:

- Deterioration in bank covenants.
- Increase in net debt.
- Interest rate increases.
- Foreign exchange rate movements.
- Increase in bad debts.
- Increase in inflation.

### Mitigation actions/factors

- Committed banking facilities in place to December 2026 and an additional loan facility supported by UK Export Finance.
- Regular monitoring of actual and forecast financing covenants.
- Capital approval processes in place, requiring Board approval for significant projects.
- Hedging policy applied for significant foreign transactions.
- Energy bought forward in the UK and Norway to mitigate price volatilities.
- Advance payments and letters of credit required from customers with a heightened payment risk.
- Government grant funding secured to support capital expansion projects.

**> SEE ALSO: FINANCIAL REVIEW ON PAGES 68 TO 71**

**Inherent risk:** Low

**Risk appetite:** Moderate

**Trend:** Decreasing

**Link to strategy:**

[G](#) [A](#) [P](#)

**Link to values:**

[E](#) [I](#)



## PRINCIPAL RISKS AND UNCERTAINTIES continued

## Principal risks and uncertainties continued

## STRATEGIC RISKS continued

## I. OPERATIONAL

## Risk and potential impacts

The Group's manufacturing activities may be exposed to business continuity risks, arising from plant failures, supplier interruptions, quality issues or large-scale employee absences.

Planned new facility developments may be delayed as a result of operational issues.

- Interruptions to production and sales could result in financial loss, reputational damage and loss of future business.
- A delay in completing new manufacturing facilities could constrain capacity and limit future business growth.

## Example key risk indicators:

- Number of process safety events including those that result in personnel exposure.
- Reduction in right first time and on-time delivery rates.
- Increase in supplier-related delays.
- Increase in quality issues and customer complaints.
- Reduction in capital expenditure.
- Delays in commissioning of facilities.

## Mitigation actions/factors

- Major accident hazard analysis process and upset condition management standard implemented across the Group.
- Key performance indicators adopted, to provide better visibility on operational performance and to facilitate early identification of potential production and quality issues.
- Advance purchases made of raw materials where potential supply chain constraints are identified.
- Due diligence and credit checks undertaken on key suppliers.
- Business continuity plans established across the Group.
- Continued capital investment in legacy facilities to improve safety and reliability.
- Asset integrity programme implemented.
- Detailed plans developed for all significant capital investment projects, steering committees established, and additional dedicated resources deployed to oversee key projects.
- Business interruption risks insured where appropriate.

> SEE ALSO: GROUP CHIEF EXECUTIVE'S REVIEW ON PAGES 12 TO 17, AND HEALTH AND SAFETY ON PAGES 46 TO 47

Inherent risk: Medium

Risk appetite: Low to moderate

Trend: Stable

Link to strategy:

Link to values:

## J. PEOPLE

## Risk and potential impacts

There is a risk that the market for talent in key areas of expertise becomes more challenging. Allied to this there is a risk of loss of key personnel.

As the shape of the Group's business changes, and with an increased focus in high-technology areas, the Group may fail to build and retain an appropriate skill base to facilitate successful competition in new markets and product areas.

Employees may not be fully engaged with the Chemring journey, purpose, products, customers and values.

- Failure to recruit sufficient suitably qualified personnel in key areas of the business may result in the Group failing to achieve its future growth aspirations.
- Failure to build and retain key skills will lead to a reduction in the ability to innovate or to win and deliver new contracts.
- If key personnel are not fully engaged with the business, purpose, values and products, and are not appropriately incentivised, the ability of the Group to retain them will be compromised. This could result in loss of management expertise and knowledge, and the Group's operations may suffer as a consequence.

## Example key risk indicators:

- Diversity statistics.
- Increase in employee turnover.
- Number of unfilled vacancies.
- Employee sentiment scores.

## Mitigation actions/factors

- Chemring values of Safety, Excellence and Innovation established.
- Development framework implemented across the Group, focusing on developing management and leadership skills and behaviours particularly amongst our line manager and supervisor population.
- Ongoing review of capability requirements against the business strategy.
- Increased focus on DE&I.
- Employee engagement tools deployed across the Group.
- Talent framework and succession planning process implemented and regularly reviewed by the Board.
- Incentive arrangements enhanced to encourage collaboration and create a Group focus at senior level.
- Ongoing development of an Employee Value Proposition and each business's brand.

> SEE ALSO: OUR PEOPLE ON PAGES 61 TO 65

Inherent risk: Medium

Risk appetite: Low to moderate

Trend: Stable

Link to strategy:

Link to values:





## K. CYBER-SECURITY

Risk and potential impacts	Mitigation actions/factors		
<p>Cyber-security and related risks are key emergent areas of critical importance for all businesses, particularly for those involved in the defence and national security sectors.</p> <p>Threats can emanate from a wide variety of sources and could target various systems for a wide range of purposes, making response particularly difficult.</p> <p>The data and systems which need to be protected include customer-classified or sensitive information, commercially sensitive information, employee-related data and safety-critical manufacturing systems.</p> <ul style="list-style-type: none"> <li>- The Group may suffer from critical systems failures, or its intellectual property, or that of its customers, may fall into the hands of third parties.</li> <li>- In addition to business interruption and financial loss, the Group may suffer reputational damage, and its business of providing cyber-security services to customers may be irreparably damaged.</li> </ul> <p><b>Example key risk indicators:</b></p> <ul style="list-style-type: none"> <li>- Number of “phishing” emails reported.</li> <li>- Number of system attacks and failures.</li> <li>- Reports from external advisers on the threat environment.</li> <li>- Decrease in confidence and integrity of data/information.</li> </ul>	<ul style="list-style-type: none"> <li>- Cyber risk assessments completed, and action plans implemented to counter the Group's identified major risks.</li> <li>- Security Committee established.</li> <li>- Group-wide Cyber-Security Standard adopted based on the US NIST 800-171 standard and a number of cyber-security defence measures adopted, encompassing, as appropriate to the nature of the threat and sensitivity of data or systems being protected, hardware, software, system, process or people-based solutions.</li> <li>- Where appropriate, government or commercial accreditation of networks and systems obtained in support of the overall cyber-security programme.</li> <li>- IT and security systems review included within the internal audit programme.</li> <li>- Cyber Incident Response Plan developed and workshops held.</li> <li>- Cyber consultants engaged to provide ongoing monitoring and expertise.</li> </ul>	<p><b>Inherent risk:</b> <span style="color: grey;">●</span> Medium</p> <p><b>Risk appetite:</b> <span style="color: green;">●</span> Low</p> <p><b>Trend:</b> <span style="color: blue;">↑</span> Increasing</p>	<p><b>Link to strategy:</b></p> <p><b>G A P</b></p> <p><b>Link to values:</b></p> <p><b>S E I</b></p>

### PURPOSE IN ACTION



We also participate in Cyber-Security Awareness Month in October, taking the opportunity to remind our colleagues of the key themes of our cyber-security training and this year focusing on our main message of “Think before you click”.

#### Cyber-security alerts

To ensure employees are current and up to date with our latest cyber risks, we regularly publish alerts on the latest examples of attempted cyber attacks so our employees are aware and understand the types of threats that exist.

One example was AI voice cloning, which involves using machine learning algorithms to analyse patterns in an individual's speech and then generate a synthetic voice that closely mimics the original speaker's tone, pitch, accent and speaking style. These algorithms can create convincing sentences that sound like specific people speaking or saying things they have not actually said.

In the email alert, we used the real example of a WhatsApp message that looked like it had come from The Group Chief Executive Michael Ord. The scammer had set up a fake WhatsApp profile using Michael's image from the Chemring website. The message asked the Chemring colleague if she was available for a call and then left a voicemail, which sounded like it had come from Michael. Thankfully, she thought the message seemed unusual and saw that the number was not Michael's usual contact number. She reported the contact to Chemring's IT team and deleted and blocked the caller in WhatsApp.

#### Testing

To test our employees' readiness and cyber resilience, we conduct regular tests by sending an example phishing email and measuring the response. We analyse the results, feed them back into our cyber security alerts, and identify individuals who may need additional education in this area.

### BUILDING OUR CYBER RESILIENCE

In today's environment, staying at the forefront of cyber-security is paramount. Managing risk, compliance and ongoing threats is a constant operation, so cyber resilience is part of our risk management.

The cyber resilience programme consists of several components, but some of the most important initial steps are around readiness.

At Chemring, cyber readiness includes ongoing education, communications and testing on the importance of cyber-security and everyone's role in protecting the Company from threats.

#### Education

All employees must undertake regular cyber-security training via our Compliance Portal. The training consists of e-learning materials that explain key themes of cyber-security and usually finish with a small test to check learning.



PRINCIPAL RISKS AND UNCERTAINTIES continued

Principal risks and uncertainties continued

LEGAL AND COMPLIANCE RISKS			
L. COMPLIANCE AND CORRUPTION			
Risk and potential impacts	Mitigation actions/factors		
<p>The Group operates in over 50 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 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 expose it to government and regulatory investigations relating to safety and the environment, import-export controls, money laundering, false accounting, and corruption or bribery.</p> <p>The Group requires a significant number of permits, licences and approvals to operate its business, which may be subject to non-renewal or revocation.</p> <ul style="list-style-type: none"><li>- Non-compliance could result in administrative, civil or criminal liabilities, and could expose the Group to fines, penalties, suspension or debarment, and reputational damage.</li><li>- Loss of key operating permits and approvals could result in temporary or permanent site closures, and loss of business.</li></ul> <p><b>Example key risk indicators:</b></p> <ul style="list-style-type: none"><li>- Regulatory intervention and penalties.</li><li>- Non-renewal/revocation of licences and permits.</li><li>- Breaches of policies.</li><li>- Non-completion of compliance training.</li><li>- Increase in whistleblowing reports.</li></ul>	<ul style="list-style-type: none"><li>- ESG Committee oversees compliance across the Group.</li><li>- Operational Framework in place, mandating compliance with a range of policies and procedures covering a wide range of legal and regulatory requirements.</li><li>- Operational assurance process established as part of the Operational Framework.</li><li>- Central legal and compliance function assists and monitors all Group businesses, supported by dedicated internal legal resource in the US.</li><li>- Code of Conduct stipulates the standards of acceptable business conduct required from all employees and third parties acting on the Group's behalf.</li><li>- Bribery Act Compliance Manual implemented, incorporating robust anti-bribery policies and procedures.</li><li>- Policy adopted to manage risks associated with sales to customers in higher risk territories.</li></ul> <p><b>&gt; SEE ALSO: ETHICS AND BUSINESS CONDUCT ON PAGES 66 AND 67</b></p>	<p><b>Inherent risk:</b>  Medium</p> <p><b>Risk appetite:</b>  Low</p> <p><b>Trend:</b>  Decreasing</p>	<p><b>Link to strategy:</b></p> <div></div> <p><b>Link to values:</b></p> <div></div>



## VIABILITY STATEMENT AND GOING CONCERN

In accordance with provisions 30 and 31 of the UK Corporate Governance Code, the Board is required to state whether it considers it appropriate to adopt the going concern basis of accounting when preparing the financial statements, and to undertake an assessment of the Group's prospects and consider whether there is a reasonable expectation that the Group will be able to continue in operation and meets its liabilities as they fall due over the period of the assessment.

### GOING CONCERN

The Group's business activities, key performance indicators, and principal risks and uncertainties are set out within the strategic report on pages 1 to 84.

The directors believe that the Group is well placed to manage its business risks successfully. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current committed facilities.

### Key financial metrics

	2024	Covenant
Available facilities	£245.6m	
Undrawn committed borrowing facilities	£157.4m	
Leverage ratio	0.57x	Less than 3x
Interest cover ratio	15.28x	Greater than 4x

The revolving credit facility of £150m runs to December 2025, of which £130m has been extended to December 2026. The Group also has a \$20m swingline overdraft facility for use in the US. In October 2024, the Group entered into a UK Export Finance loan facility led by Barclays Bank PLC for up to £80m. This is a four-year term, arm's length facility with a one-year draw down period and a three-year amortising repayment schedule. The Group was in compliance with its covenants throughout the year.

### Assessment of near-term prospects

As part of a regular assessment of the Group's working capital and financing position, the directors have prepared a detailed bottom-up two-year trading budget and cash flow forecast for the period through to October 2026.

This has enabled the directors to assess going concern for a period of at least 12 months after the date of approval of the financial statements. This is in addition to the Group's longer-term strategic planning process. In assessing the forecast, the directors have considered:

- trading risks presented by the current economic conditions in the defence market, particularly in relation to government budgets and expenditure;
- the impact of macro-economic factors, particularly interest rates and foreign exchange rates;
- the status of the Group's existing financial arrangements and associated covenant requirements;
- progress made in developing and implementing cost reduction programmes and operational improvements;
- progress made on capital expansion projects for the Group's Energetics businesses including the provision of grant funding;
- the availability of mitigating actions should business activities fall behind current expectations, including the deferral of discretionary overheads and restricting cash flows; and
- the long-term nature of the Group's business which, taken together with the Group's order book, provides a satisfactory level of confidence to the Board in respect of trading.

### Sensitivity analysis

Additional detailed sensitivity analysis has been performed on the forecasts to consider the impact of severe, but plausible, reasonable worst case scenarios on the covenant requirements. These scenarios, which sensitised the forecasts for specific identified risks, modelled the reduction in anticipated levels of underlying EBITDA and the associated increase in net debt. These scenarios included significant delays to major contracts and considered the principal risks and uncertainties discussed in the strategic report. These sensitised scenarios show headroom on all covenant test dates for at least twelve months after the date of approval of the financial statements.

### Confirmation of going concern

After consideration of the above, the directors have a reasonable expectation that the Group and the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least twelve months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

### LONG-TERM VIABILITY

#### Assessment of long-term prospects

The directors have assessed the Group's viability over the subsequent three financial years to October 2027 based on the above assessment, combined with the Group's strategic planning process, which gives greater certainty over the forecasting assumptions used. Based on this assessment, the directors have a reasonable expectation that the Group will be able to continue in operation and meet all its liabilities as they fall due up to October 2027.

#### Assessment period

The directors have chosen the subsequent three financial years as the period to assess viability to reflect the characteristics of the Group's end markets and their contracting arrangements. These range from multi-year contracts with key customers to shorter-term orders, such as those awarded to Roke.

#### Principal risks

In considering our viability statement we have considered the principal risks and uncertainties discussed in the strategic report and assessed the impact. Those risks with the most significant potential financial impact included occupational and process safety risks, operational risks and environmental laws and regulations risks.

### Sensitivity analysis

Sensitivity analyses were run to model the financial and operational impact of plausible downside scenarios of these risk events occurring individually or in combination. These included the impacts of a deterioration in the macro-economic environment including future government policy and spending, underperformance in executing the Group's strategy, failure to achieve operational improvement and material movements in foreign exchange rates.

Consideration was also given to the plausibility of the occurrence of other individual events that in their own right could have a material impact on the Group's viability.

### Confirmation of viability

Based on the consolidated financial impact of the sensitivity analyses and associated mitigating internal controls and risk management actions that are either now in place or could be implemented, the Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three year assessment period.



## NON-FINANCIAL AND SUSTAINABILITY INFORMATION STATEMENT

This section of the strategic report constitutes the Group's non-financial and sustainability information statement and addresses the requirements of sections 414CA and 414CB of the Companies Act 2006. The non-financial information is included within the various other sections of the strategic report and is cross-referenced below.

Our Code of Conduct provides direction to our employees on the standards of behaviour and business conduct which we expect from them. It sits alongside our Operational Framework, which incorporates a wide range of policies and procedures to enable our businesses to comply with their legal obligations and to operate in a safe, consistent and accountable way.

> OUR CODE OF CONDUCT AND OUR KEY PUBLIC POLICIES ARE AVAILABLE AT [WWW.CHEMRING.COM](http://WWW.CHEMRING.COM).

Reporting requirement	Relevant policies which govern our approach	Where to read more	Page
<b>Environmental matters</b>	<ul style="list-style-type: none"> <li>- Group health, safety and environmental policy</li> </ul>	- Introduction to sustainability	42
		- Environment	48
		- TCFD report	52
<b>Employees</b>	<ul style="list-style-type: none"> <li>- People policy</li> <li>- Group health, safety and environmental policy</li> <li>- Directors' remuneration policy</li> <li>- Whistleblowing policy</li> <li>- Code of Conduct</li> </ul>	- Stakeholder engagement	38
		- Our people	61
		- Health and safety	46
		- Ethics and business conduct	66
		- Directors' remuneration report	106
<b>Social and community matters</b>	<ul style="list-style-type: none"> <li>- Community investment policy</li> <li>- Code of Conduct</li> </ul>	- Our people	61
		- Ethics and business conduct	66
<b>Respect for human rights</b>	<ul style="list-style-type: none"> <li>- Modern Slavery Act Statement</li> <li>- People policy</li> <li>- Supplier Code of Conduct</li> <li>- Code of Conduct</li> </ul>	- Our people	61
		- Ethics and business conduct	66
<b>Anti-bribery and corruption</b>	<ul style="list-style-type: none"> <li>- Anti-corruption policy</li> <li>- Bribery Act Compliance Manual</li> <li>- Policy on sales to customers located in higher-risk territories</li> <li>- Offset policy</li> <li>- Code of Conduct</li> </ul>	- Ethics and business conduct	66
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## Governance

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## CHAIRMAN'S INTRODUCTION TO GOVERNANCE

# Upholding the highest standards of corporate governance



**Tony Wood**  
Chairman

On behalf of the Board, I am pleased to present my first governance report as Chairman. The report focuses on the Group's governance structures, the work of the Board and its committees, and our compliance with the UK Corporate Governance Code 2018 (the "Code") and other regulatory requirements. The report comprises the following:

Board of directors
Corporate governance report
Audit Committee report
Nomination Committee report
Directors' remuneration report
Directors' report

## BOARD COMPOSITION

In last year's report, we announced that Carl-Peter Forster would retire from the Board in early 2025, on completion of his third three-year term as Chairman. In late 2023, a search for his successor was initiated, which concluded with the announcement of my appointment in June 2024. I joined the Board as an independent non-executive director and Chairman-designate with effect from 1 October 2024 and succeeded Carl-Peter as Chairman on 1 December 2024, following his retirement on 30 November 2024. On behalf of the Board, I would like to extend my thanks to Carl-Peter for his significant contribution to the growth of the Group over the past eight and a half years and wish him well for the future.

### > FULL DETAILS OF THE SEARCH PROCESS FOR THE CHAIRMAN ARE SET OUT ON PAGES 104 TO 105

We also announced in last year's report that Andrew Davies would step down from the Board on completion of his third three-year term as an independent non-executive director in 2025. Andrew will retire on 31 January 2025. The Board extends its thanks to Andrew for his valuable contribution over the last eight and a half years.

Fiona MacAulay will succeed Andrew as the Senior Independent Director and following Fiona's appointment, we will comply fully with the Listing Rules relating to Board diversity.

**"Our Operational Framework and our Code of Conduct promote a set of policies, practices and behaviours which are fully aligned with Chemring's purpose, values, vision and strategy."**

## PURPOSE, VALUES AND CULTURE

The Board recognises its role in establishing the purpose and values of the Group, and embedding these throughout the organisation.

Our purpose at Chemring is to help make the world a safer place, which reflects the critical role we play in the support of our customers as we adapt to an increasingly volatile and unstable world. Across physical and digital environments, our exceptional teams deliver innovative technologies and products to detect, defeat and counter ever-changing threats. Our purpose and our core values of Safety, Excellence and Innovation form the foundation for our strategy, our business and our organisation. Examples of how we are living our values can be found on pages 6 and 7.

Our Code of Conduct reflects our purpose and our values, and sets out the standards of behaviour and business conduct we expect of all employees and all third parties acting on our behalf. It reinforces the culture, set by the Board, of always doing the right thing and taking personal responsibility for our actions. We firmly believe that promoting a Chemring culture that embraces responsible behaviour will contribute to the long-term success of the business and will benefit all our stakeholders. The Code of Conduct was updated and reissued in November 2024, and is supplemented with ongoing scenario-based training.

## GOVERNANCE AND OPERATIONAL FRAMEWORK

Our Operational Framework provides an enhanced governance framework to enable us to operate in a safe, consistent and accountable way. Together with our Code of Conduct, the Operational Framework promotes a set of policies, practices and behaviours which are fully aligned with Chemring's purpose, values, vision and strategy. The Operational Framework was updated and reissued in November 2024.

Our ESG Committee, chaired by the Group Chief Executive, maintains oversight of our ethical business conduct and compliance arrangements, and its activities reinforce the importance of responsible behaviour at all levels of the organisation. The ESG Committee reports to the Board on a regular basis and further details of its activities during the year can be found on page 66.

## STRATEGY

The delivery and further evolution of the Group's strategy, which is articulated in my statement on page 8 and in the strategy section on pages 20 to 23, continues to be one of the principal areas of focus for the Board. In addition to our annual review of the updated Group strategy and five-year plan in July, the Board addressed specific strategic topics in a number of our meetings during the year. This regular drumbeat of strategic discussions greatly enhances the Board's understanding of the potential opportunities available to our businesses and ensures that the requisite resources are allocated to the realisation and optimisation of these opportunities.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

The Board recognises that long-term value creation can only be delivered through safe, sustainable and responsible business operations. As referred to above, the Board has established an ESG Committee to oversee the delivery of our ESG strategy and implementation of our ESG policies.

In 2021, we announced our commitment to reduce our market-based scope 1 and 2 emissions to net zero by 2030. Following the decisions taken over the last two years to significantly increase production capacity and establish new facilities in our Energetics businesses in order to meet continued strong market demand, we have concluded that it is appropriate to defer our net zero target to 2035. We will, nevertheless, continue to reduce our scope 1 and 2 emissions as quickly as we are able.

ESG-related objectives are included in the incentive arrangements for our leadership teams and performance against agreed ESG targets is monitored by the Board at every meeting. Further details on our ESG-related activities and the further progress made in the year can be found in the sustainability section on pages 42 to 45.

## STAKEHOLDER ENGAGEMENT

In recognition of the requirement under the Code for the Board to establish a mechanism for engaging directly with our employees, Laurie Bowen is designated as the non-executive director with responsibility for employee engagement on behalf of the Board. Laurie held a number of meetings with employees at all levels of the organisation at four of our businesses during the year, at which she shared with employees a perspective on the Board's priorities and provided an opportunity for them to ask questions of her. Further details are provided later in the report. Feedback from these meetings has continued to be positive, with employees welcoming the opportunity to meet with a non-executive member of the Board and to be able to provide honest feedback to a senior member of the organisation outside of their direct line management. Insights from these interactions, which are reported to the Board following the engagement sessions, continue to provide valuable input to the Board's deliberations.

We fully recognise our obligation to engage with and consider the impact of the Board's decisions on all our stakeholders. Further details on our approach can be found on pages 38 to 41 and later in this report.

## BOARD EFFECTIVENESS

During the year, the Board visited our sites in Chicago and Salisbury, in addition to its annual visit to Roke in Romsey. At each meeting, the Board received a presentation from the business and met with employees.

The Board continues to maintain a strong relationship with our US Board, of which our Group Chief Executive and Chief Financial Officer are members. The Board met with the US Board during its visit to the US in April 2024 and received detailed briefings on the US defence market and the US business operations.

Board site visits and related engagement activities are beneficial to aiding the Board's understanding of both the challenges and opportunities within our businesses, and we will continue with our scheduled programme of site visits in 2025.

## REMUNERATION

During the year, we undertook our triennial review of the directors' remuneration policy, which will be submitted to shareholders for approval at the Annual General Meeting in February 2025. Further details are set out in the directors' remuneration report on pages 106 to 133.

## BOARD EVALUATION

In accordance with the recommendations of the Code, the Board performance evaluation was internally facilitated this year and further details are set out on page 98.

## UPDATED UK CORPORATE GOVERNANCE CODE

An updated UK Corporate Governance Code was published by the Financial Reporting Council in January 2024. The Group will be required to comply with the updated Code with effect from 1 November 2025 (with the exception of Provision 29 – the declaration on the effectiveness of the risk management and internal control framework – which will apply to the Group with effect from 1 November 2026) and we will continue to prepare for compliance over the course of the next year.

**Tony Wood**

Chairman

17 December 2024

## COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

In the year under review, the Company was required to apply the principles and provisions of good governance set out in the UK Corporate Governance Code issued in 2018 by the Financial Reporting Council. The Company was in compliance with the provisions of the Code throughout the year ended 31 October 2024.

Further details on how the Company applied the principles of the Code during the year can be found as follows:

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BOARD OF DIRECTORS

Diverse and experienced leadership

COMMITTEE MEMBERSHIP

- A Audit Committee
- N Nomination Committee
- R Remuneration Committee
- Denotes Chair

LENGTH OF SERVICE

- 0–2 years (3)
- 3–4 years (1)
- 5+ years (5)

CHAIRMAN



TONY WOOD  
Chairman  
N R

**Board length of service**  
(as at 17 December 2024):  
0 years, 2 months

- Experience:**
- Board experience at Chief Executive level and in non-executive positions
  - Extensive international experience in aerospace, defence and engineering sectors
  - Fellow of the Royal Aeronautical Society and a Fellow of the Association for Project Management

Tony joined the Group as an independent non-executive director and Chairman-designate on 1 October 2024 and was appointed Chairman of the Board on 1 December 2024.

Tony formerly held senior leadership and executive positions at Meggitt plc and Rolls Royce, having started his career at Dowty Group (now part of Safran SA). He was also a non-executive director and President of ADS Group, Ltd, the UK trade association for the Aerospace, Defence, Security and Space sector, before stepping down in 2023.

Tony is a member of the Board of directors of Airbus SE\*, a member of the Board of directors of National Grid plc\* and a member of the Board of directors of Aero Accessories.

EXECUTIVE DIRECTORS



MICHAEL ORD  
Group Chief Executive

**Board length of service**  
(as at 17 December 2024):  
6 years, 6 months

- Experience:**
- Extensive senior management experience in the defence sector
  - International experience in both service and manufacturing industries
- Michael Ord was appointed to the Board on 1 June 2018 and appointed as Group Chief Executive on 1 July 2018.

Michael is currently a non-executive director of TT Electronics plc\*.

Michael formerly held a number of senior management roles with BAE Systems including Managing Director of their Naval Ships and F-35 Joint Strike Fighter businesses. Prior to his 1996 move to industry, he had a successful career in the Royal Navy serving for 12 years in a number of engineering management roles.

An Aeronautical Systems Engineering graduate and a Chartered Engineer, Michael has also completed post-graduate management studies at Manchester Business School and is a graduate of Harvard Business School's Advanced Management Programme. He is a member of the Royal Aeronautical Society. He previously served as a trustee of The Education and Training Foundation.



JAMES MORTENSEN  
Chief Financial Officer

**Board length of service**  
(as at 17 December 2024):  
1 year, 1 month

- Experience:**
- Extensive senior management experience in international technology and manufacturing businesses
  - Strategy and M&A experience
  - Chartered Accountant
- James Mortensen was appointed to the Board on 1 November 2023 and was appointed as Chief Financial Officer on 1 January 2024.
- Prior to joining the Group, James spent eight years at Smiths Group, where he held a number of senior roles including Group Head of Corporate Development and Chief Financial Officer of Smiths Medical.
- Prior to joining Smiths, James spent eight years at Smith & Nephew plc, where he held various senior finance roles. James started his career in KPMG's audit practice.



SARAH ELLARD  
Group Legal Director  
& Company Secretary

**Board length of service**  
(as at 17 December 2024):  
13 years, 3 months

- Experience:**
- Legal, compliance and governance expertise
  - Chartered Secretary
- Sarah Ellard was appointed as Group Legal Director on 7 October 2011, having been Group Company Secretary since 1998.
- Prior to joining the Group, Sarah trained and worked at Ernst & Young LLP. She is a Fellow of the Chartered Governance Institute.

\* Designates a current public company appointment.



## NON-EXECUTIVE DIRECTORS



### ALPNA AMAR

Non-Executive Director



#### Board length of service

(as at 17 December 2024):  
1 year, 6 months

#### Experience:

- International experience within the automotive and construction sectors
- Chartered Accountant

Alpna Amar was appointed as an independent non-executive director on 13 June 2023.

Alpna is currently Corporate Development Director of Kier Group plc and is a member of Kier Group's Executive Committee. She will take up an appointment as an executive director of Senior plc\* in April 2025 and will become Chief Financial Officer of Senior plc in May 2025. Alpna has a wealth of corporate, operational and commercial finance, strategy, M&A and investor relations experience in both corporate and consulting positions.

Prior to joining Kier Group, Alpna held senior investor relations and corporate development roles at global automotive suppliers TI Fluid Systems plc and International Automotive Components Group SA.



### LAURIE BOWEN

Non-Executive Director



#### Board length of service

(as at 17 December 2024):  
5 years, 5 months

#### Experience:

- Board experience at Chief Executive level
- International experience in the technology sector

Laurie Bowen was appointed as an independent non-executive director on 1 August 2019 and was appointed as Chair of the Remuneration Committee on 4 March 2020.

Laurie serves as a non-executive director of SBA Communications Corporation\*. She has over 30 years of leadership experience at large multinational telecommunications and technology companies including Cable & Wireless Communications plc, Tata Communications, BT Group plc and IBM. Most recently she was Chief Executive of Telecom Italia Sparkle in the Americas, a subsidiary of the international wholesale arm of Telecom Italia.

Laurie was previously a non-executive director of Ricardo plc and Transcom Worldwide AB.



### ANDREW DAVIES

Senior Independent  
Non-Executive Director



#### Board length of service

(as at 17 December 2024):  
8 years, 7 months

#### Experience:

- Board experience at Chief Executive level
- Extensive knowledge of the international defence industry

Andrew Davies was appointed as an independent non-executive director on 17 May 2016 and was appointed as Senior Independent Director on 1 May 2020. He also served as Chairman of the Remuneration Committee until 4 March 2020.

Andrew is currently Chief Executive of Kier Group PLC\*. He has a wealth of relevant sector experience, having served in senior operational and strategic roles at executive committee level at BAE Systems plc for more than 14 years. He was formerly Chief Executive of Wates Group Ltd.

Andrew is due to retire from the Board on 31 January 2025.



### STEPHEN KING

Non-Executive Director



#### Board length of service

(as at 17 December 2024):  
6 years, 1 month

#### Experience:

- Executive and non-executive board experience in public and private companies
- Chartered Accountant

Stephen King was appointed as an independent non-executive director on 1 December 2018 and as Chairman of the Audit Committee on 1 August 2019.

Stephen has a wealth of senior level experience within the industrial, engineering and manufacturing sectors, including a number of executive and non-executive roles. He is currently a non-executive director of Keller Group plc\*.

Stephen retired as Group Finance Director of Caledonia Investments plc in 2018. He was previously a non-executive director and Chairman of the Audit and Risk Committee at Signature Aviation plc and The Weir Group plc, and a non-executive director and Senior Independent Director at TT Electronics plc.

Stephen was Finance Director at De La Rue plc from 2003 to 2009, and prior to that at Midlands Electricity plc. A Chartered Accountant, Stephen has also held senior financial positions at Lucas Industries plc and Seeboard plc, and was a non-executive director of Camelot plc.



### FIONA MACAULAY

Non-Executive Director



#### Board length of service

(as at 17 December 2024):  
4 years, 6 months

#### Experience:

- Board experience at Chief Executive level and in non-executive positions
- International and operational experience in high-hazard industries

Fiona MacAulay was appointed as an independent non-executive director on 3 June 2020.

Fiona is a non-executive director of Ferrexpo plc\*, Costain Group PLC\*, Dowlais Group plc\*. She was previously Chair of IOG plc and a non-executive director of Coro Energy Plc and EPI Group Ltd.

Fiona previously held a number of senior operational roles within the oil and gas sector, including a two-year appointment as Chief Executive of Echo Energy plc in 2017.

Fiona will succeed Andrew Davies as Senior Independent Director on 1 February 2025.

\* Designates a current public company appointment.



## CORPORATE GOVERNANCE REPORT

# Board leadership and company purpose

## PURPOSE

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

> FURTHER DETAILS ON OUR PURPOSE AND HOW IT LINKS TO OUR STRATEGY AND VALUES CAN BE FOUND ON PAGES 6 AND 7

## CULTURE AND VALUES

The Board is responsible for ensuring that the Company's culture is aligned with its purpose, values and strategy. We are committed to creating an inclusive culture across Chemring, where everyone does the right thing and takes personal responsibility for their actions. This culture is promoted through leadership and a strong "tone from the top" and is embedded in our Code of Conduct and our Operational Framework, both of which bind our purpose, values, behaviour, policies and procedures, and provide the necessary governance to enable us to operate in a safe, consistent and accountable way.

The Chairman is responsible for ensuring that the Board demonstrates commitment to our values and culture by operating appropriately and taking the right actions on behalf of shareholders and other stakeholders. The Group Chief Executive, supported by the Executive Committee and the business unit leadership teams, is responsible for ensuring that our values and culture are fully embedded within all aspects of our operations.

> FURTHER DETAILS ON HOW OUR VALUES DRIVE BEHAVIOURS ARE SET OUT ON PAGES 28 AND 29

## GOVERNANCE FRAMEWORK

The Board is responsible for ensuring leadership of the Group through effective oversight and review, with the aim of delivering 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 opposite.

The terms of reference of the Board committees are published on the Company's website:

> [WWW.CHEMRING.COM/INVESTORS/CORPORATE-GOVERNANCE](http://WWW.CHEMRING.COM/INVESTORS/CORPORATE-GOVERNANCE)

### THE BOARD

Responsible for promoting the long-term sustainable success of the Group; directing its purpose, values and strategy; oversight of financial and organisational control; ensuring that the Group's businesses have appropriate and effective internal control and risk management systems; and ensuring effective engagement with stakeholders.

#### AUDIT COMMITTEE

Monitors the integrity of the financial statements, and the effectiveness of the external and internal audit processes.

> SEE PAGE 100 AUDIT COMMITTEE REPORT

#### NOMINATION COMMITTEE

Evaluates the size, structure and composition of the Board, and oversees Board appointments.

> SEE PAGE 104 NOMINATION COMMITTEE REPORT

#### REMUNERATION COMMITTEE

Sets and reviews the directors' remuneration policy, and oversees remuneration arrangements for the senior leadership.

> SEE PAGE 106 DIRECTORS' REMUNERATION REPORT

### THE GROUP CHIEF EXECUTIVE

Responsible for the leadership and day-to-day management of the business, and development and implementation of the Group's strategy.

#### EXECUTIVE COMMITTEE

Assists the Group Chief Executive with oversight of the delivery of the Group's strategy; monitoring of the operational and financial performance of the businesses; allocation of resources across the Group; management of risk; and implementation of the Group's Operational Framework and governance policies.

The Group Chief Executive chairs the Executive Committee, which has weekly update calls and meets formally at least four times a year. The members of the Committee are the executive directors, the President and the Chief Financial Officer of the Group's US operations, the Group HSE Director, the Group Strategy and Corporate Development Director and the Group Director of Corporate Affairs. Full details of the Executive Committee members can be found on the Group's website:

> [WWW.CHEMRING.COM](http://WWW.CHEMRING.COM)

#### RISK MANAGEMENT COMMITTEE

Oversees the implementation of the risk management policy and framework; identifies the principal risks to which the Group is exposed; monitors risk mitigation plans; and maintains the Group risk register.

> SEE PAGE 72 RISK MANAGEMENT

#### ESG COMMITTEE

Oversees the implementation of the Group's ESG strategy; monitors progress against agreed ESG targets; and identifies further ESG-related objectives.

> SEE PAGES 42 TO 45 INTRODUCTION TO SUSTAINABILITY AND ETHICS AND BUSINESS CONDUCT





## HOW THE BOARD ESTABLISHES AND MONITORS CULTURE

ESTABLISHMENT OF CULTURE		MONITORING OF CULTURE
<b>SAFETY</b>	<ul style="list-style-type: none"> <li>- HSE Policy, Management System Framework and strategy</li> <li>- Focus on "Journey to Zero Harm" and drive towards a proactive safety culture</li> <li>- Fundamental Safety Principles</li> <li>- "Stop, Warn, Inform, Manage" ("SWIM") campaign</li> <li>- Technical Safety Committee</li> </ul>	<ul style="list-style-type: none"> <li>- Regular reporting to the Board on safety performance against key performance indicators, including near miss reporting rates</li> <li>- The Board receives regular updates from the Group HSE Director on progress against the HSE strategy, significant incidents and near misses, and key findings of our HSE assurance processes</li> <li>- The Board is briefed by independent external consultants on their periodic review of the Group's progress on developing a proactive safety culture</li> </ul>
<b>EMPLOYEES</b>	<ul style="list-style-type: none"> <li>- Code of Conduct</li> <li>- Monthly video-blog by the Group Chief Executive and Group-wide communication programme</li> <li>- Diversity, equity and inclusion policy and initiatives</li> <li>- Employee development programmes</li> <li>- ESG Committee and inclusion of ESG objectives in short and long-term incentive arrangements</li> </ul>	<ul style="list-style-type: none"> <li>- Laurie Bowen, the designated non-executive director for employee engagement, provides regular reports to the Board on her discussions with employees at all levels of the organisation</li> <li>- The Board receives regular updates on employee sentiment from our various engagement tools, and undertakes periodic culture "check-ins" facilitated by an external consultant</li> <li>- Reporting to the Board on progress against established ESG targets</li> <li>- Board site visits</li> </ul>
<b>GOVERNANCE AND BUSINESS CONDUCT</b>	<ul style="list-style-type: none"> <li>- Code of Conduct</li> <li>- Operational Framework and operational assurance process</li> <li>- ESG Committee and inclusion of governance-related objectives in short-term incentive arrangements</li> <li>- Chemring Compliance Portal</li> <li>- Mandatory training programmes</li> <li>- Whistleblowing policy and procedures</li> </ul>	<ul style="list-style-type: none"> <li>- The ESG Committee monitors ethical business conduct and implementation of the Group's compliance framework, and makes recommendations to the Board on areas for future improvements</li> <li>- The Group Legal Director regularly reports to the Board on governance and compliance matters</li> <li>- Review of compliance with key policies under the Operational Framework is included within the internal audit programme</li> <li>- The Group has a formal whistleblowing policy and procedures, and the Board is provided with an overview of whistleblowing reports received, related investigation findings and any remedial actions taken</li> </ul>
<b>INTERNAL CONTROL AND RISK MANAGEMENT</b>	<ul style="list-style-type: none"> <li>- Operational Framework and operational assurance process</li> <li>- Group Finance Manual and internal control framework</li> <li>- Audit Committee</li> <li>- Risk Management Committee</li> <li>- Risk Management Policy and Framework</li> <li>- Internal audit programme</li> </ul>	<ul style="list-style-type: none"> <li>- The Audit Committee reviews internal audit reports produced by our Internal Audit Manager and subject matter expert external consultants, and the Board considers any significant issues arising therefrom and any improvements required to our internal control systems</li> <li>- The Board reviews the Group's risk register on a regular basis and has high-level oversight of mitigation plans implemented for key risks</li> <li>- Operational assurance statements are required to be submitted by the businesses on an annual basis</li> </ul>



## CORPORATE GOVERNANCE REPORT continued

## Board leadership and company purpose continued

## BOARD ACTIVITIES IN 2024

LEADERSHIP	STRATEGY
<ul style="list-style-type: none"> <li>- Reviewed the Company's purpose, vision and values</li> <li>- Visited businesses in Salisbury and Romsey in the UK and Chicago in the US</li> <li>- Monitored culture through feedback on employee sentiment measured through our employee engagement tools</li> <li>- Approved the appointment of the new Chairman</li> <li>- Completed the annual Board performance evaluation</li> </ul>	<ul style="list-style-type: none"> <li>- Approved the updated five-year plan and strategy for the Group</li> <li>- Engaged in reviews of organic and inorganic growth opportunities across the Group</li> <li>- Reviewed key government customers' plans for increasing defence expenditure and the implications for the Group's businesses</li> <li>- Reviewed potential acquisition targets for Roke and Chemring Energetic Devices</li> <li>- Reviewed priorities for capital and operational investment and approved key investment programmes</li> <li>- Received an update on the Group's valuation from external advisers</li> </ul>
FINANCIAL	HEALTH, SAFETY, ENVIRONMENT AND SUSTAINABILITY
<ul style="list-style-type: none"> <li>- Monitored performance of the businesses against the 2024 budget</li> <li>- Approved the 2025/2026 budgets</li> <li>- Approved the half year and full year results, and the annual report and accounts</li> <li>- Approved the interim dividend and made a recommendation to shareholders regarding the final dividend</li> <li>- Approved a new term loan facility supported by UK Export Finance and Barclays Bank PLC and an additional £100m of capacity for bonding, standby letters of credit to support advanced payments.</li> <li>- Reviewed the Group's capital allocation policy and approved the extension of the share buyback programme to 17 December 2024</li> <li>- Approved the Group's tax strategy</li> </ul>	<ul style="list-style-type: none"> <li>- Regularly monitored health, safety and environmental key performance indicators and approved a new key performance indicator relating to personnel exposure during process safety events</li> <li>- Received briefings on significant incidents and high-potential near misses</li> <li>- Agreed and reviewed progress against key health, safety and environmental objectives</li> <li>- Received regular updates from the ESG Committee</li> <li>- Approved the Group's approach to TCFD reporting and the management of climate change risks</li> <li>- Approved the deferral of the Group's net zero scope 1 and 2 emissions target from 2030 to 2035</li> <li>- Approved the sustainability report</li> </ul>
PEOPLE AND CULTURE	GOVERNANCE, RISK AND REGULATORY
<ul style="list-style-type: none"> <li>- Received regular reports from the Remuneration Committee</li> <li>- Approved the directors' remuneration policy for submission to shareholders for approval at the Annual General Meeting in February 2025</li> <li>- Considered feedback from Laurie Bowen, the non-executive director designated to engage with employees on the Board's behalf, on issues raised with Mrs Bowen by employees</li> <li>- Reviewed the Group's talent framework, development programmes and succession plans</li> <li>- Received feedback on employee sentiment across the Group</li> </ul>	<ul style="list-style-type: none"> <li>- Reviewed the Group's risk register and risk appetite for key risks and completed the annual assessment of the Group's internal control and risk management systems</li> <li>- Received regular updates from the Audit Committee and the ESG Committee</li> <li>- Received updates on key legal issues and regulatory matters impacting the Group</li> <li>- Reviewed the Group's cyber-security arrangements</li> <li>- Reviewed plans for the renewal of the US Special Security Agreement in 2025</li> <li>- Received regular updates on significant whistleblowing reports</li> <li>- Reviewed the Company's compliance with the Code</li> <li>- Reviewed and updated the Schedule of Matters Reserved for the Board and associated delegated levels of authority</li> <li>- Approved the Group's Modern Slavery Act statement for 2024</li> </ul>
SHAREHOLDERS	
<ul style="list-style-type: none"> <li>- Reviewed feedback from the results presentations and institutional investor meetings</li> <li>- Received updates from brokers and other advisers and the Group Director of Corporate Affairs on current shareholder views on the Group</li> <li>- Participated in a wide range of engagement meetings with current and potential new shareholders</li> </ul>	



## HOW THE BOARD CONSIDERS STAKEHOLDERS IN ITS DECISION MAKING

Section 172 (1) of the Companies Act 2006 requires the directors to act in the way they consider, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing so, section 172 requires the directors to have regard, amongst other matters, to the:

- likely consequences of any decision in the long term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- desirability of the company maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the company.

The statement of compliance with section 172 is set out on pages 38 to 41, together with details of how the Board engages with stakeholders and how the Board monitors stakeholder interests. Set out below are some specific examples of how the Board considered stakeholders in its decision making during the year.

### STRATEGY DEVELOPMENT

- The Board continued to receive detailed briefings on the changing market dynamics in key defence markets, with particular focus on the shift in funding priorities in the US in preparation for a peer-to-peer conflict, the increase in defence expenditure in Europe and the UK's initiatives to strengthen its sovereign capabilities in defence, and the implications for the Group's future strategy.
- The Board receives updates from the Group Chief Executive on his regular interactions with the UK MOD and from the President of the US operations on his interactions with key US customers. In addition, the Board receives regular feedback from the businesses on the emerging technology requirements of their principal customers and future budget allocations. These inputs are all reflected in the development of strategy, and decisions regarding investment in operational capabilities and research and development.
- In developing the Group's strategy, the Board continues to recognise the need for investment in people, processes and products to ensure that the businesses can operate safely for the benefit of all stakeholders, and allocates resources accordingly.
- The Board also considers feedback from shareholders when reviewing strategy, particularly with regards to capital allocation and future growth plans.

### INVESTMENT IN ROKE

- A significant level of both operational and capital investment continues to be allocated to Roke, which opened a new office in Gloucester during the year to accommodate over 75 staff and commenced planning for a new logistics and production facility to be established in Romsey. The business also continues to invest in enhancing the value proposition for its workforce. In approving these investments, the Board considered how they would contribute to the longer-term success of Roke and meet the needs of its customers, and the benefits that would be derived by customers and employees, particularly in relation to workforce diversity and career development prospects.

### CAPITAL INVESTMENT IN THE ENERGETICS BUSINESSES

- The Board approved an additional capital investment project at the Energetics business in Norway during the year, increasing the overall value of the capital investment programme in the Energetics businesses from £120m to £200m. In reviewing and approving this additional investment, the Board considered how it could satisfy the significantly increased capacity needs of customers, support sovereign capability requirements and create safer working conditions for employees, whilst providing an appropriate return on investment for the Group's shareholders. The Board also considered how the environmental impact of new production facilities could be minimised and how changes in current and emerging environmental regulations would be addressed.

### IMPLEMENTATION OF ESG STRATEGY

- During the year, the Board continued to monitor progress against the ESG strategy adopted during 2021, with a particular focus on health, safety and the environment, diversity and inclusion, reducing climate change impacts and employee wellbeing. This continues to drive investment in a number of areas, from capital investment in upgraded new facilities to improve safety and reduce our environmental impact, to the establishment of development and networking programmes focused on promoting diversity across the Group. In approving these ongoing investments, the Board has considered the impacts on a wide range of stakeholders, including employees, customers, regulators and our local communities.

**> FURTHER DETAILS ON OUR APPROACH TO ESG CAN BE FOUND ON PAGES 42 TO 60**

### EXECUTIVE REMUNERATION

- In agreeing the proposed new directors' remuneration policy and reviewing the executive directors' remuneration arrangements for the current financial year, the Remuneration Committee assessed how they compared with remuneration arrangements for employees more broadly across the Group, particularly with regards to salary increases, pension contributions and incentive arrangements.



## CORPORATE GOVERNANCE REPORT continued

## Board leadership and company purpose continued

## HOW THE BOARD CONSIDERS STAKEHOLDERS IN ITS DECISION MAKING continued

## EMPLOYEE ENGAGEMENT

Laurie Bowen is designated as the non-executive director for employee engagement on behalf of the Board. Laurie held a number of meetings with employees at all levels of the organisation within our UK and US businesses during the year, at which she shared with employees a perspective on the Board's priorities and provided an opportunity for them to ask questions of her. Whilst each meeting was different, due to the diversity of the businesses and the range of employees who participated in the discussions, the following topics were typically addressed at every meeting:

- the role of the Board and its responsibilities, and, where appropriate, the interaction between the UK and the US Boards;
- application of the Group's values, particularly in relation to safety;
- leadership and vision;
- communication and employee engagement;
- relationships with customers and other stakeholders;
- collaboration within the Group; and
- resourcing, training and employee development.

Feedback from these meetings is provided to the Board and, where appropriate, is considered in Board decision making. Laurie also provides a high-level overview of the feedback received, on a non-attributable basis, to the leadership of the businesses involved. Further details on the key themes arising during the year are set out on page 63.

During the Board visits to Chemring Energetic Devices in Chicago, Chemring Countermeasures in Salisbury and Roke in Romsey, the Board members met informally with members of the management teams and other employees. These interactions provided an informal opportunity for open discussions on the operation of the Board and the Group's strategic priorities, and enabled employees to talk about the opportunities and challenges in their own businesses.

The Group Chief Executive engages in regular discussion forums with employees during routine visits to the businesses, and other directors also engage with employees during individual site visits.

The Board is satisfied that its current mechanisms for engagement with employees, including Laurie Bowen's appointment as the designated non-executive director for employee engagement, are effective, as evidenced by the openness and quality of the discussions with employees. When combined with the feedback on employee sentiment the Board receives through employee engagement tools and periodic culture "check-ins", the Board is confident that it receives meaningful input to its decision-making processes. We will, however, continue to review the effectiveness of our approach to engagement with employees and all our stakeholders on an ongoing basis.

**> FURTHER DETAILS ON EMPLOYEE ENGAGEMENT MORE BROADLY CAN BE FOUND ON PAGE 63**

## SHAREHOLDER ENGAGEMENT AND THE ANNUAL GENERAL MEETING

The Company operates a structured investor relations programme, focused largely around the half and full year results announcements in June and December respectively. Meetings with shareholders are predominantly led by the Group Chief Executive, the Chief Financial Officer and the Group Director of Corporate Affairs and typically focus on financial performance, the Group's strategy, capital allocation and ESG-related matters. In 2024, meetings were held with fifty current and potential institutional shareholders in the UK, US and Canada.

The Board also receives reports from the Company's advisers on feedback received from existing and potential investors and analysts following meetings with the executive directors. Investor sentiment is a key input into development of the Group's strategy.

The Chair of the Remuneration Committee engages with shareholders on matters relating to executive remuneration from time to time. During the year the Company's larger institutional shareholders were consulted on the proposed new directors' remuneration policy which will be presented to shareholders for approval at the Annual General Meeting in February 2025. Further detail on how the Remuneration Committee responded to the feedback received can be found in the directors' remuneration report on pages 106 to 109.

Our 2025 Annual General Meeting will be held on 26 February 2025 and will be held as a physical meeting in London. The Annual General Meeting provides an opportunity for all shareholders to engage directly with the Board. All directors are required to attend the meeting and make themselves available to respond to questions from shareholders or address any concerns raised by shareholders. In line with best practice, all substantial issues, including the adoption of the annual report and financial statements, are proposed as separate resolutions at the Annual General Meeting. In line with best practice guidelines, voting is conducted by way of a poll, which allows all votes to be counted and not just those of shareholders who attend the meeting. Full details of our Annual General Meeting are contained in the Notice of Meeting which will be sent to shareholders in January 2025.

**> FURTHER DETAILS ON THE BOARD'S ENGAGEMENT WITH SHAREHOLDERS CAN BE FOUND ON PAGE 40**

## BOARD SITE VISITS

Site visits enable the Board to obtain a deeper understanding of the business operations, establish relationships with the wider management team and engage directly with employees. The Board receives a presentation from management and views the facilities where safe to do so.

As referred to above, during the year the Board as a collective visited Chemring Energetic Devices in Chicago in the US and Chemring Countermeasures in Salisbury and Roke in Romsey, both in the UK. During each visit, the Board received a presentation from the management on the business' performance, strategy, and key opportunities and challenges. The Board also participated in site tours and reviewed the new facilities which had been established in the last few years.

In addition, the Group Chief Executive, the Chief Financial Officer and the Group Legal Director & Company Secretary made visits to most of the Group's businesses. As part of his induction programme, the Chairman visited Roke, Chemring Countermeasures and Chemring Energetics in the UK and Chemring Nobel in Norway. The Board next plans to visit the US as a collective in April 2025.



# Division of responsibilities

## LEADERSHIP OF THE US BUSINESSES AND THE US BOARD

Our US Board is established under our Special Security Agreement (“SSA”) with the US Government and includes three independent US directors approved by the US Government. The SSA imposes certain restrictions on the degree of control and influence we can exert over our US businesses, and it is imperative that we maintain a strong relationship with the US Board, in order to ensure that we are fulfilling our own governance obligations. The Group Chief Executive and the Chief Financial Officer are both members of the US Board.

The President of our US operations joined one of our Board meetings during the year. Our broader interaction with the US Board has increased in recent years, and the increased collaboration continues to prove beneficial from both an operational and governance perspective. Our US Board collates and provides valuable feedback from a range of both internal and external internal stakeholders in the US, and this is a key input into the annual strategy review.

## COMPOSITION OF THE BOARD AND INDEPENDENCE

The Board currently comprises three executive directors and six non-executive directors (including the Chairman). The biographical details of individual directors, including details of their other significant business commitments, are set out on pages 88 and 89.

The Board considers that all the non-executive directors are independent in judgement and character, and considered Tony Wood to be independent on his appointment as Chairman.

The Board considers that the balance of executive and non-executive influence on the Board is appropriate for the Company, taking into account its size and status, and serves to ensure that no single director or small group of directors dominate the Board’s deliberations and decision making.

The roles of Chairman and Chief Executive are separate and clearly defined in accordance with the requirements of the Code, with the division of responsibilities set out in writing and agreed by the Board.

## TIME COMMITMENT OF DIRECTORS

The Board recognises the importance of ensuring that individual directors have sufficient time available to discharge their duties effectively. Existing commitments of prospective directors are carefully considered prior to appointment and incumbent directors are required to notify the Chairman or, in the case of the Chairman, the Senior Independent Director, if there are any significant changes to their external commitments.

## APPROVAL OF DIRECTORS’ EXTERNAL APPOINTMENTS

In accordance with the Code, all proposed new external appointments of directors require the approval of the Board. Stephen King’s appointment as a non-executive director of Keller Group plc was approved by the Board during the year and Alpna Amar’s appointment as an executive director and Chief Financial Officer of Senior plc was approved subsequent to the year end. In approving additional appointments, the Board seeks to satisfy itself that the director concerned will continue to have the capacity to fulfil their obligations to the Group following a proposed appointment.

## CONFLICTS OF INTEREST

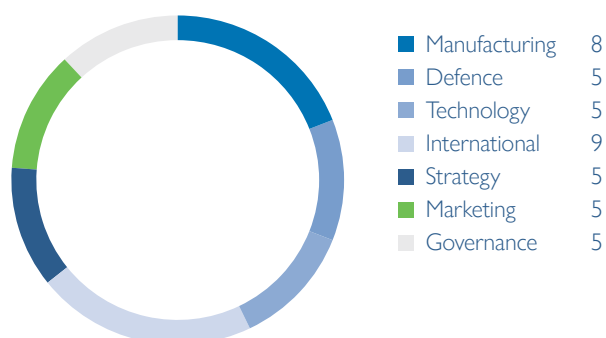
All directors have a duty under the Companies Act 2006 (the “2006 Act”) to avoid a situation in which he or she has or can have a direct or indirect interest that conflicts or may possibly conflict with the interests of the Company. The Company’s Articles of Association include provisions for dealing 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.

## EXPERIENCE OF THE BOARD

The members of the Board maintain the appropriate balance of experience and knowledge of the business to enable them to discharge their duties and responsibilities effectively.

## NUMBER OF DIRECTORS WITH APPLICABLE SPECIFIC EXPERIENCE







## BOARD ROLES AND RESPONSIBILITIES

The key responsibilities of the Board members are set out below.

### CHAIRMAN

- Responsible for the leadership of the Board and ensuring its overall effectiveness in directing the Group
- Ensures that the Board is kept properly informed and is consulted in a timely manner on all decisions reserved to it
- Promotes a culture of openness and debate, and facilitates constructive relations between the executive and non-executive directors
- Ensures that the training and development needs of directors are identified

### CHIEF EXECUTIVE

- Responsible for the leadership and day-to-day management of the business
- Develops strategy for Board approval and ensures that the agreed strategy is implemented successfully
- Presents the annual budget and five-year plan to the Board for approval and delivers agreed objectives
- Identifies new business opportunities, and potential acquisitions and disposals
- Manages the Group's risk profile, including the management of health and safety
- Ensures that the Board is fully informed of all key matters

### CHIEF FINANCIAL OFFICER

- Supports the Chief Executive in developing and implementing the global finance strategy
- Oversees the finance functions across the Group
- Ensures effective financial controls and financial reporting processes are in place
- Ensures the Group has adequate bank facilities and financial resources

### SENIOR INDEPENDENT DIRECTOR

- Provides support to the Chairman and acts as a trusted sounding board
- Reviews the Chairman's performance with the other non-executive directors
- Available to meet shareholders if they have concerns which cannot be resolved through the normal channels

### NON-EXECUTIVE DIRECTORS

- Participate in the development of strategic objectives, provide constructive challenge and monitor the performance of executive management in achieving the agreed objectives
- Monitor the Group's financial performance
- Consider the integrity of the Group's financial information, and whether the financial controls and risk management systems are robust and defensible
- Determine the appropriate remuneration policy for the executive directors
- Meet periodically with the Group's senior management and visit operations
- Meet regularly without the executive directors being present

### LEGAL DIRECTOR & COMPANY SECRETARY

- Oversees legal matters and compliance across the Group
- Secretary to the Board and its committees
- Under the direction of the Chairman, responsible for maintaining good information flows within the Board and its committees
- Develops Board and committee agendas, and collates and distributes papers
- Assists with the induction of new directors
- Keeps directors informed about changes to their duties and responsibilities
- Provides advice on legal, regulatory and corporate governance matters



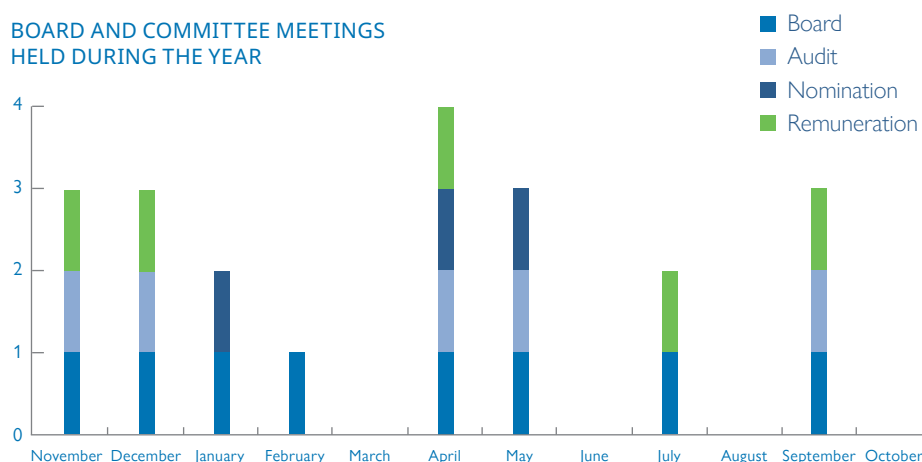
## BOARD MEETINGS AND ATTENDANCE

The Board convenes for scheduled meetings at least seven times a year. The Board receives a report from the Executive Committee, covering health and safety performance, strategic development, operational and financial performance, legal, people and investor relations related issues, as a standing agenda item at every scheduled meeting.

Members of the senior leadership team, representatives of the US Board and external advisers attend Board meetings by invitation, as appropriate.

The Board aims to meet jointly with the Group's US Board, further details of which are set out on page 95, at least once a year.

## BOARD AND COMMITTEE MEETINGS HELD DURING THE YEAR



The following table shows the attendance of all directors who served during the year at the meetings of the Board and its committees:

Board member	Board (8 scheduled meetings)	Audit Committee (5 scheduled meetings)	Nomination Committee (3 scheduled meetings)	Remuneration Committee (5 scheduled meetings)
<b>Tony Wood</b>	—	—	—	—
<b>Carl-Peter Forster</b>	8(8)	—	—	5(5)
<b>Alpna Amar</b>	8(8)	5(5)	3(3)	—
<b>Laurie Bowen</b>	8(8)	5(5)	3(3)	5(5)
<b>Andrew Davies</b>	8(8)	5(5)	3(3)	5(5)
<b>Sarah Ellard</b>	8(8)	—	—	—
<b>Stephen King</b>	8(8)	5(5)	3(3)	5(5)
<b>Andrew Lewis</b>	2(2)	—	—	—
<b>Fiona MacAulay</b>	8(8)	5(5)	3(3)	5(5)
<b>James Mortensen</b>	8(8)	—	—	—
<b>Michael Ord</b>	8(8)	—	—	—

The maximum number of meetings which each director could have attended is shown in brackets. All directors attended all scheduled Board meetings.

During the year, the Chairman met regularly with the non-executive directors without the executives being present.



# Composition, succession and evaluation

## BOARD APPOINTMENTS AND RE-ELECTION OF DIRECTORS

New appointments to the Board and its committees are made by the Board on the recommendation of the Nomination Committee.

In accordance with the Company's Articles of Association, all directors are required to submit themselves for re-election at each Annual General Meeting. The papers accompanying the Notice of Annual General Meeting include a statement from the Chairman confirming that the performance of each non-executive director seeking re-election at the meeting continues to be effective and that each director continues to demonstrate commitment to their role.

## DIVERSITY

The Board recognises the importance of promoting diversity in its broadest sense, both at the Board level and across the entire business, and we remain committed to further improving diversity on the Board, the Executive Committee and the wider senior leadership team.

**> FURTHER DETAILS ON THE BOARD'S POLICY AND APPROACH TO DIVERSITY ARE SET OUT IN THE NOMINATION COMMITTEE REPORT ON PAGES 104 AND 105**

## INDUCTION, TRAINING AND DEVELOPMENT

An internal induction programme on the Group's operations, and its strategic and business plans, is provided for newly-appointed directors. Directors are invited to meet key members of the senior management team at the earliest opportunity, and site visits are arranged to facilitate their understanding of the Group's operations.

The Group Legal Director & Company Secretary also provides detailed information on the operation of the Board and its committees, directors' legal duties, and responsibilities on appointment.

### Overview of induction programme provided to Tony Wood

Tony Wood joined the Board in October 2024. As part of his induction programme, Tony spent time with the executive directors receiving a detailed brief on the Group's operations and met with members of the Executive Committee to develop an understanding of their respective areas of responsibility. Tony also met with the Group's key professional advisors. Tony has visited three of our sites in the UK and our business in Norway to date. At each of the site visits, Tony was given a tour of the facilities and received a presentation from the management on the business. Tony's induction programme will continue in 2025.

The Company meets the cost of appropriate external training for directors, the requirement for which is kept under review by the Chairman.

Directors are continually updated on the Group's businesses and the matters affecting the markets in which they operate. The Group Legal Director & Company Secretary updates the Board on a regular basis with regards to regulatory changes affecting the directors and the Group's operations generally, and briefings are provided by the Group's advisers on key developments in areas such as financial reporting and executive remuneration practice.

## INDEPENDENT ADVICE

All directors are entitled to take independent professional advice in furtherance of their duties at the Company's expense, should the need arise. No director had reason to seek such advice during the year.

## PERFORMANCE EVALUATION

The Board performance evaluation was externally facilitated in 2023 and an internal evaluation was therefore conducted during the year following the approach adopted in 2022.

Questionnaires covering the activities of the Board and its three main committees were sent to each of the directors for completion. The questionnaires focused on:

- strategy development and implementation;
- the Group's ESG plans and objectives;
- the Board's role in setting and monitoring the Group's purpose, culture and values;
- stakeholder engagement;
- operation of the Board and its committees;
- the role of the Chair and effectiveness of meetings;
- the composition of the Board and its diversity;
- the Board's oversight of risk management systems and internal controls; and
- areas in which the Board could improve its effectiveness.

The individual responses were collated and consolidated by the Group Legal Director & Company Secretary into a report which was discussed with the Chairman prior to sharing with the remainder of the Board. Specific comments from directors were not attributed to individuals in order to provide full transparency on the responses.

The evaluation confirmed that the Board is continuing to function effectively overall and, with the most recent appointments, the balance of skills and experience on the Board affords it a level of maturity in the way it conducts itself. The evaluation identified several areas in which the Board could improve its effectiveness and the Board therefore developed a set of goals for the forthcoming year, with a focus in the following areas:

- appointment of a new non-executive director to replace Andrew Davies;
- successful execution of the Group's various capacity expansion plans;
- continuing development of the Group's longer-term ambition and growth strategy;
- increasing the strategic focus on the Group's US businesses;
- continued focus on talent development and succession planning; and
- further increasing the level of interactions between the non-executive directors outside of scheduled Board meetings.

In addition to the formal performance evaluation, the Chairman and non-executive directors also reviewed the individual performance of the executive directors as part of the annual remuneration review.



# Audit, risk and internal control

## FINANCIAL AND BUSINESS REPORTING

The statement of directors' responsibilities in respect of the financial statements and accounting records maintained by the Company is set out on page 136.

Having taken all the matters considered by the Board and brought to the attention of the Board during the year into account, the Board is satisfied that the annual report and accounts for the year ended 31 October 2024, taken as a whole, is fair, balanced and understandable. Furthermore, the Board believes that the disclosures set out on pages 1 to 84 provide the information necessary to assess the Company's performance, business model and strategy.

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for determining the nature and extent of the risks that it is willing to take to achieve its strategic objectives. The Board is also responsible for ensuring that the Group's risk management and internal control systems are effective across the businesses, and that appropriate risk mitigation plans are in place. The Group's internal control systems are largely decentralised and operate on a discrete basis at each business. The Operational Framework and associated policies covering financial and other controls and risk management requirements set the minimum standards required to be adopted by the businesses within their local systems.

The Board undertakes an annual review of the effectiveness of the Group's systems of internal control, including financial, operational and compliance controls, and risk management systems. Further details of the review undertaken during the financial year ended 31 October 2024 are set out on page 73.

## OPERATIONAL FRAMEWORK

Our Operational Framework incorporates a broad range of policies and procedures which have been adopted by all of our businesses, and provides an enhanced governance structure to enable us to operate in a safe, consistent and accountable way. As part of this enhanced governance structure, there is a requirement for all businesses to complete a detailed Operational Assurance Statement on an annual basis, providing an assessment of their compliance with the Operational Framework.

The output from the operational assurance process provides assurance to the Board that our internal systems and controls are operating effectively, and is an important input to our internal audit and risk management activities.

## AUDIT

Details of the Group's external and internal audit activities can be found in the Audit Committee report on pages 100 to 103.

## LONG-TERM VIABILITY STATEMENT

The Code requires the Board to undertake an annual assessment of the long-term viability of the Group, further details of which can be found on page 83.



## AUDIT COMMITTEE REPORT

# Providing assurance to the board



**Stephen King**  
Chairman of the Audit Committee

## AUDIT COMMITTEE MEMBERS

Stephen King (Chairman)

Alpna Amar

Laurie Bowen

Andrew Davies

Fiona MacAulay

## KEY RESPONSIBILITIES OF THE AUDIT COMMITTEE

- Monitoring the integrity of the Group's financial statements and any formal announcements relating to the Group's financial performance, and reviewing the appropriateness of significant financial reporting judgements
- Providing guidance to the Board in its consideration of whether the annual report and accounts are fair, balanced and understandable
- Making recommendations on the appointment, reappointment and terms of engagement of the internal and external auditors
- Ensuring that an appropriate relationship between the Group and the external auditor is maintained, and overseeing the provision of non-audit services
- Reviewing and monitoring the external auditor's independence, objectivity and effectiveness
- Reviewing the effectiveness of the Group's internal controls and risk management systems
- Considering the effectiveness of the Group's internal audit function and monitoring internal audit activities

## INTRODUCTION

I am pleased to present my report as Chairman of the Audit Committee.

The Audit Committee continues to play a critical role in the governance of the Group's financial affairs, both through monitoring the integrity of the Group's financial reporting and reviewing material financial reporting judgements. The report provides an overview of the operation of the Committee and its activities during the year. During the early part of the financial year, the Committee was focused on matters relating to the 2023 financial statements, which were covered in detail in last year's report. This year's report focuses on the Committee's activities in relation to the 2024 half year and full year results, and the external and internal audit activities during 2024.

## MEMBERSHIP OF THE AUDIT COMMITTEE

The Audit Committee was established by the Board and is responsible for monitoring the integrity of the Group's financial statements and the effectiveness of the internal and external audit process.

All members of the Committee are independent non-executive directors, and each brings a broad range of financial and business expertise. I have previously served as the finance director of several FTSE listed companies, and therefore possess recent and relevant financial experience. The Board considers that the Committee members possess an appropriate level of independence and offer a depth of financial and commercial experience across various industries, in particular within the defence, technology and manufacturing sectors. Further details of the Committee members' skills and experience are shown on pages 88 and 89.

## OPERATION OF THE COMMITTEE

The Committee's full responsibilities are set out in its terms of reference, which are available on the Company's website. The Committee reviews its terms of reference and its effectiveness annually and recommends to the Board any changes required as a result of the review.

Meetings of the Committee are attended, at the invitation of the Chairman, by the external auditor, the Chairman of the Board, the Group Chief Executive, the Chief Financial Officer, the internal auditor and representatives from the Group finance function. The Committee meets with the external and internal auditors on a regular basis without the executive directors being present. The Group Legal Director & Company Secretary acts as secretary to the Committee and minutes of meetings are circulated to all Board members.

**> DETAILS OF ATTENDANCE OF MEMBERS OF THE COMMITTEE AT THE FIVE MEETINGS HELD DURING THE YEAR ARE SHOWN ON PAGE 97**





The Chairman of the Committee meets regularly with the Chief Financial Officer, the external audit lead partner and the internal auditor outside of scheduled meetings.

The Committee is authorised to seek any information it requires from any employee of the Group in order to perform its duties, and to obtain any outside legal or other professional advice it requires at the Company's expense.

#### THE COMMITTEE'S ACTIVITIES DURING THE YEAR

AREAS OF FOCUS	MATTERS CONSIDERED
<b>FINANCIAL REPORTING</b>	<ul style="list-style-type: none"> <li>- Content of the Group's interim and preliminary results announcements and the annual report and, in particular, whether the annual report was fair, balanced and understandable</li> <li>- Appropriateness and disclosure of accounting policies and key judgements and estimates</li> <li>- The presentation of alternative performance measures</li> <li>- The Group's going concern status and viability statements</li> <li>- The Group's environmental performance reporting and the related assurance review completed by ERM</li> <li>- Financial Reporting Council ("FRC") thematic reviews</li> </ul>
<b>RISK AND CONTROL ENVIRONMENT</b>	<ul style="list-style-type: none"> <li>- Effectiveness of the Group's systems of internal control</li> <li>- The Group's business continuity management arrangements</li> </ul>
<b>EXTERNAL AUDIT</b>	<ul style="list-style-type: none"> <li>- Interim review and full year audit plans</li> <li>- Effectiveness and independence of the external auditor</li> <li>- Non-audit services provided by the external auditor</li> <li>- External auditor's reports on the half year and full year results, and consideration of points raised by the auditor</li> <li>- The FRC's Audit Quality Review ("AQR") in relation to KPMG's 2023 audit of the Group</li> <li>- Rotation of the Group's external audit partner</li> </ul>
<b>INTERNAL AUDIT</b>	<ul style="list-style-type: none"> <li>- Internal audit strategy and plan</li> <li>- Key findings of internal audits and progress against actions arising</li> <li>- Effectiveness of the internal audit programme</li> </ul>
<b>GOVERNANCE</b>	<ul style="list-style-type: none"> <li>- Succession planning for the Group finance function</li> </ul>

The Committee relies on regular reports from the executive directors, the wider management team, and the external and internal auditors in order to discharge its responsibilities. The Committee is satisfied that it received timely, sufficient and reliable information to enable it to fulfil its obligations during the year.

#### FINANCIAL REPORTING

A summary of the significant issues considered in relation to the 2024 financial statements is set out below.

The Committee also reviewed the report issued by the FRC on their thematic review of offsetting in financial statements and considered how the matters raised had been addressed in the 2024 financial statements. In addition, the Committee considered whether the Company had appropriately addressed the findings of the FRC's annual review of corporate reporting, which was published in September 2024, in the 2024 financial statements.

#### SIGNIFICANT ISSUES CONSIDERED BY THE COMMITTEE IN RELATION TO THE FINANCIAL STATEMENTS

##### RECOVERABILITY OF GOODWILL, OTHER INTANGIBLE ASSETS, AND THE PARENT COMPANY'S INVESTMENTS IN, AND INTERGROUP RECEIVABLE BALANCES WITH, SUBSIDIARIES

The Committee considered the carrying value of goodwill, intangible assets and the parent company's investments in, and inter-group receivable balances with, subsidiaries held on the balance sheet as at 30 April 2024 and 31 October 2024, against the latest forecasts for the businesses concerned and the future strategic plan for the Group.

##### CAPITALISED DEVELOPMENT COSTS

The Committee continued to monitor the level of development costs capitalised during the year and the periods over which such costs are to be amortised. Detailed reviews of the Group's most significant research and development projects, and their associated capitalised development costs, were undertaken by the Committee in April 2024 and September 2024.

##### REVENUE RECOGNITION

The Committee considered the revenue recognition requirements for certain contracts that include transactions that should be accounted for other than as revenue or expenses based on their nature to ensure that any such transactions were presented in accordance with the applicable accounting standard. In the instance that this resulted in the acquisition of assets on receipt of a government grant, transactions were accounted for following the Group's government grants accounting policy.

##### GOVERNMENT GRANTS

The Committee considered the accounting treatment for government grants received in accordance with IAS 20 *Government Grants*.

##### NON-UNDERLYING ITEMS AND ALTERNATIVE PERFORMANCE MEASURES

The Committee reviewed the use of alternative performance measures in the interim results statement and the annual report. The Committee concluded that the use of alternative performance measures did enhance a reader's understanding of the accounts and that they were presented in a fair, balanced and understandable manner.

AUDIT COMMITTEE REPORT *continued*Providing assurance to the board *continued***SIGNIFICANT ISSUES CONSIDERED BY THE COMMITTEE IN RELATION TO THE FINANCIAL STATEMENTS** *continued*

The Committee is required to consider whether it is appropriate to adopt the going concern basis when preparing the interim and full year results. In order to satisfy itself that the Group has sufficient financial resources to enable it to continue trading for the foreseeable future, the Committee regularly reviews the adequacy of the Group's financing facilities against future funding requirements and working capital projections. Based on its review of the Group's forecasts during the year and discussions with the external auditor, the Committee recommended to the Board the adoption of the going concern basis for the preparation of the interim and full year results.

The Group is required to make a statement on its long-term viability in the financial statements. The Committee considered the period over which the Group's viability would be assessed and, having concluded that a three-year period was appropriate, the Committee undertook a review of the analysis and projections which supported the viability assessment prior to its submission to the Board. Further details on the assessment process and the Group's long-term viability statement are set out in the strategic report on page 83.

Following the year end, the Committee reviewed the form and content of the 2024 annual report and accounts, and recommended to the Board that, taken as a whole, the annual report and accounts should be considered as fair, balanced and understandable. The Committee also concluded that the annual report and accounts provides the information necessary to assess the Group's position and performance, business model and strategy.

In making this assessment, the Committee considered:

**IS THE REPORT FAIR?**

- Is the narrative in the strategic report consistent with the financial statements?
- Have any significant matters been omitted?

**IS THE REPORT BALANCED?**

- Has equal weighting been given to both positive and negative aspects of performance during the year?
- Is there an appropriate balance between the disclosure of statutory measures of performance and alternative performance measures ("APMs")?

**IS THE REPORT UNDERSTANDABLE?**

- Is the presentation of performance clear, with consistent use of key performance indicators?
- Is there clarity around the use of APMs?

**AUDIT AND CORPORATE GOVERNANCE REFORMS**

The FRC published an updated version of the UK Corporate Governance Code (the "Code") in January 2024. The new Code introduced a number of changes, with the most significant relating to internal controls. For financial years starting on or after 1 January 2026, boards are required to explain in their annual reports how they have monitored and reviewed the internal control framework, make a declaration on its effectiveness and provide a description of any material controls that have not operated effectively. The Committee is confident that the internal control framework introduced by the Group in November 2022 will assist the Group in complying with this new provision. The Committee will continue to monitor developments in this area over the next year.

In the year under review, the Company was required to apply the Audit Committees and the External Audit: Minimum Standard (the "Standard"), which was published by the FRC in May 2023. The Company was in compliance with the Standard throughout the year ended 31 October 2024.

**EXTERNAL AUDIT**

The Audit Committee is responsible for making recommendations to the Board on the appointment, reappointment and removal of the Company's external auditor. The Committee also undertakes an annual assessment of the auditor's independence and objectivity, taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services.

**Audit effectiveness**

The Committee assesses the effectiveness of the external auditor on an ongoing basis, with particular reference to:

- the arrangements for ensuring the external auditor's independence and objectivity;
- the external auditor's fulfilment of the agreed audit plan and any variations from the plan in terms of timing and scope;
- the quality of the resource engaged by the external auditor to fulfil the audit plan;
- the robustness and perceptiveness of the auditor in their handling of the key accounting and audit judgements, and their willingness to challenge both management and the Committee;
- the effectiveness of co-ordination of the individual business unit audits on a global basis;
- the content of the external auditor's reports and internal control recommendations;
- their proactivity in briefing the Committee on proposed regulatory changes and the implications for the Group; and
- the feedback received on the conduct of the external audits from key people involved in the audit process in the central finance function and within the businesses.

During the year, the FRC's AQR team reviewed KPMG's audit of the Group's 2023 financial statements, as part of its annual inspection of audit firms. The Committee reviewed the final report from the AQR team and discussed the report with KPMG, which noted several areas of good practice. The Committee also reviewed the overall results of the 2023/24 assessment of KPMG's audits covering years ending between June 2022 and May 2023 undertaken by the FRC's AQR team, and will continue to review these assessments on an annual basis.

There are no contractual or similar obligations to restrict the choice of external auditor.

KPMG was appointed as the Group's external auditor in March 2018, following a competitive tender process, and continues to act as the external auditor for the Group and its principal trading businesses. James Childs-Clarke, the lead audit partner, completed his second year in the role this year. Mr Childs-Clarke was previously the Director on the Group audit from 2018 and 2020, and will therefore have completed five audits of the Group at the end of this year. Following discussions with the Committee, it has been agreed that a new audit partner, Kate Teal, will assume responsibility for the Group's audit for the 2025 financial year. Ms Teal has no prior connection with the Group audit and is considered independent.

The audits of the Group's US businesses are carried out by KPMG US under a separate engagement letter in order to satisfy the requirements of our Special Security Agreement with the US Government. KPMG's UK and US audit teams co-ordinate their work to ensure that the audit of the consolidated Group results at the year end is completed efficiently. In order to facilitate this, the annual audit plan continued to provide for planning work for the 2024 year-end reviews and audits of the US businesses to commence in the first half year of the financial year, which enabled the Group audit to be completed within the requisite timeframe following the year end.



Monahans (Sumer AuditCo Limited) is appointed as the external auditor of Vigil AI Limited, one of the Group's smaller subsidiaries which also has a minority shareholder. Vigil AI Limited does not make a material contribution to the Group's results and, following discussions with the minority shareholder, it was concluded that the audit would be more appropriately carried out by a smaller firm. KPMG has confirmed that Vigil AI Limited is immaterial to the Group financial statements and as such does not require any reporting from Monahans for that purpose.

The Committee did not ask KPMG to review any significant areas of concern, outside of the normal audit process, during the year. The Committee did request KPMG to undertake a more detailed review of the impairment assessment relating to the goodwill held on the balance sheet for Kilgore to ensure that the key assumption regarding downtime in its automated manufacturing facility was appropriate. KPMG were able to confirm that the downtime assumption was within an appropriate range.

No significant internal control failings or weaknesses were identified by KPMG during the year, but KPMG did challenge management on the accounting treatment of certain contracts including advance payments to ensure there was no financing component and the accounting treatment of the buy-in of the liabilities associated with the Group's legacy UK defined benefit pension scheme. In the normal manner, KPMG identified a small number of uncorrected review misstatements as part of their half year review and year-end audit. Having considered the representations made by KPMG, the Committee was satisfied that the Group had adopted an appropriate approach in each case and that the impact of the misstatements identified by KPMG was not material, either individually or in the aggregate.

The Committee reviewed KPMG's overall effectiveness in fulfilling the external audit during the year, having reflected on all the matters set out above, and concluded that KPMG had conducted a comprehensive, appropriate and effective audit.

The Committee has recommended to the Board that KPMG be reappointed as the Group's auditor at the 2025 Annual General Meeting.

The Company is in compliance with the provisions of The Statutory Audit Services for Large Companies Market Investigation Order 2014.

### Auditor independence

The Committee keeps under review the level of any non-audit services which are provided by the external auditor, to ensure that this does not impair their independence and objectivity.

The Committee has adopted a policy which states that the external auditor should not be appointed to provide any non-audit services to the Group, unless the Committee agrees that their appointment would be in the best interests of the Company's shareholders in particular circumstances and would not create any direct conflict with their role as external auditor. In approving any such appointment, the Committee is also required to consider:

- whether the provision of the proposed services might compromise the auditor's independence or objectivity;
- whether the non-audit services will have a direct or material effect on the Group's audited financial statements;
- whether the skills and experience of the external auditor make it the most suitable supplier of the non-audit services; and
- the level of fees proposed for the non-audit services relative to the audit fees.

The external auditor is required to provide the Committee with a written confirmation of independence for all duly-approved engagements for non-audit services.

The policy adopted by the Committee expressly prohibits the provision of certain non-audit services by the external auditor, in line with regulatory requirements and UK ethical guidance.

Details of the amounts paid to KPMG during the year for audit and non-audit services are set out in note 4 to the Group financial statements. Total fees of £0.1m were paid to KPMG during the year in respect of non-audit services, which related to the review of the interim results, an audit report for Chemring Nobel's tax return as is required from the auditor under Norwegian tax law and assurance support work for Chemring Nobel in connection with its grant funding applications. The Committee concluded that neither the nature or scope of these services gave rise to any concerns regarding the objectivity or independence of KPMG.

The Committee, in conjunction with the Chief Financial Officer, ensures that the Group maintains relationships with a sufficient choice of appropriately qualified alternative audit firms for the provision of non-audit services. Building these relationships also ensures that the Group will have a reasonable choice of other suitable external audit firms when it next tenders the external audit.

### INTERNAL AUDIT

The Audit Committee is responsible for reviewing the work undertaken by the Group's internal auditor, assessing the adequacy of the internal audit resource, and recommending changes for increasing the scope of the internal audit activities.

The Group's internal audit programme incorporates a review of all sites on a two or three-year rotational basis and focuses on both financial and non-financial controls and procedures. The Committee approves the annual internal audit plan and receives regular reports from the internal auditor.

The Internal Audit Manager, who reports to the Chairman of the Audit Committee, is responsible for conducting internal audits across the Group, with the support of other suitably-qualified Group employees where appropriate. This facilitates sharing of best practice across the Group and contributes to the development of employees involved in the audits. The Internal Audit Manager's activities will continue to be supplemented in specialist areas, such as IT and cyber-security, with more focused assurance reviews by external experts.

The internal audit plan for 2024 was developed following a detailed review of the Group's principal risks and included specific focus on:

- the key financial and operating controls within the business;
- IT and cyber-security governance and controls; and
- compliance with the Group's Bribery Act Compliance Manual.

No significant internal control failings or weaknesses were identified during the internal audits completed in the year.

The Internal Audit Manager also undertook specific reviews of the Group's risk management systems, business continuity management arrangements and supply chain management during the year.

An update on internal audit activities is presented to the Committee at each meeting. The management of each business is responsible for implementing the recommendations made by the internal audit function, and the Committee reviews progress on a regular basis. Progress on addressing internal audit findings is also reviewed by the Group Chief Executive and the Chief Financial Officer in their quarterly reviews with each of the businesses.

The Committee reviews the Group's approach to internal audit on an annual basis to ensure that it remains fit for purpose and provides the requisite level of assurance to the Committee.

**Stephen King**  
Chairman of the Audit Committee  
17 December 2024



## NOMINATION COMMITTEE REPORT

## Providing guidance to the board



**Tony Wood**  
Chairman of the Nomination Committee

## NOMINATION COMMITTEE MEMBERS

Tony Wood (appointed 1 October 2024 and Chairman from 1 December 2024)

Alpna Amar

Laurie Bowen

Andrew Davies

Carl-Peter Forster (member and Chairman to 30 November 2024)

Stephen King

Fiona MacAulay

## KEY RESPONSIBILITIES OF THE NOMINATION COMMITTEE

- Reviewing the structure, size and composition of the Board, and making recommendations on appointments to the Board and its committees
- Reviewing the overall leadership needs of the organisation
- Oversight of the Group's diversity policy
- Succession planning for the Board, the Executive Committee and the wider leadership team

## INTRODUCTION

I am pleased to present the Nomination Committee's report for the year ended 31 October 2024.

As announced in June 2024, I was appointed to the Board with effect from 1 October 2024 and succeeded Carl-Peter Forster as Chairman on 1 December 2024, following Carl-Peter's retirement on 30 November 2024. The recruitment of a new Chairman was a key activity for the Committee during the year. The Committee also continued to focus on the development of the Group's diversity, equity and inclusion ("DE&I") strategy and succession planning for the Board and the wider leadership team.

## MEMBERSHIP OF THE COMMITTEE

The Nomination Committee's role is to ensure that the Board has the appropriate balance of skills, knowledge and experience to operate effectively and oversee the delivery of the Group's strategy.

All members of the Committee are independent non-executive directors. I chair the Committee but will not do so where the Committee is dealing with my own reappointment or my replacement as Chairman of the Board.

## OPERATION OF THE COMMITTEE

The Committee's responsibilities are set out in its terms of reference, which are available on the Company's website. The Committee reviews its terms of reference and its effectiveness annually and recommends to the Board any changes required as a result of the review.

Meetings of the Committee are attended, at the invitation of the Chairman, by the Group Chief Executive when considered appropriate. Members of the Committee do not participate in any discussions relating to their own reappointment or replacement. The Group Legal Director & Company Secretary acts as secretary to the Committee and minutes of meetings are circulated to all Board members.

> **DETAILS OF ATTENDANCE OF MEMBERS OF THE COMMITTEE AT THE THREE MEETINGS HELD DURING THE YEAR ARE SHOWN ON PAGE 97**

## BOARD COMPOSITION

The Committee regularly reviews the composition and balance of the Board and its committees, and considers the non-executive directors' independence, whether the balance of non-executive and executive directors remains appropriate, and whether the Board has the requisite skills, knowledge and experience to oversee the delivery of the Group's strategy.

As set out in last year's report, James Mortensen was appointed to the Board on 1 November 2023 and was appointed Chief Financial Officer with effect from 1 January 2024.

Having nearly completed his third three-year term as a non-executive director, Andrew Davies will not seek re-election at the next Annual General Meeting and will step down from the Board on 31 January 2025. Fiona MacAulay will succeed Andrew as the Senior Independent Director. We are considering our requirements for an additional non-executive director to replace Andrew and will progress the new appointment over the course of the next year.

The recently-completed Board performance evaluation, further details of which are set out on page 98, considered the current composition of the Board and concluded that, subject to the appointment of a suitable non-executive director to replace Andrew Davies, no further changes were required in the immediate future.

## APPOINTMENTS TO THE BOARD

The Committee is responsible for reviewing and recommending new appointments to the Board, and for considering the reappointment of current directors.

With regards to the appointment of new directors to the Board, the Committee has an established process to identify the attributes, skills, knowledge and experience required of potential candidates. External recruitment consultants are engaged to undertake a search and provide an initial long list of potential candidates, which is reviewed by the Committee. Members of the Committee then meet with short-listed candidates, before selecting a small number of preferred candidates to meet with other members of the Board. The search for a new Chairman, which resulted in my appointment, was conducted in this manner and further details are set out below.

As set out in last year's report, the Committee commenced planning for the recruitment of a new Chairman in September 2023, recognising that Carl-Peter Forster's third three-year term as Chairman would expire in May 2025. It was agreed that Andrew Davies would lead the process as Senior Independent Director and a sub-committee, comprising Andrew, Fiona MacAulay and Michael Ord, was established to oversee the initial stages of the process. Russell Reynolds, an independent executive search firm, were appointed to conduct the search due to their knowledge of the Group and prior experience in having recruited two non-executive directors and our Chief Financial Officer. Russell Reynolds, who have no other connection with the Group, are a signatory to the Voluntary Code of Conduct for Executive Search Firms and have made a commitment to promote diversity. The sub-committee and Russell Reynolds developed a detailed role specification for the Chairman and identified the key attributes required of potential candidates. Following detailed review by the sub-committee of an initial long-list of candidates compiled by Russell Reynolds and with input from



other Board members, a short-list of four preferred candidates was identified. Each of the candidates met with members of the sub-committee and three of the candidates subsequently met the other members of the Board. After detailed consideration, the Nomination Committee agreed to recommend my appointment to the Board.

A similar approach will be adopted in relation to the search for Andrew Davies' successor.

Stephen King's second three-year appointment as a non-executive director expired in December 2024 and, after due consideration of his valuable contribution to the Board and its committees, the Committee recommended to the Board that Stephen be reappointed for a third three-year term.

## DIVERSITY, EQUITY AND INCLUSION

### DIVERSITY POLICY

The Committee recognises the importance of diversity, equity and inclusion to the effective performance of the Board and to our wider business operations. We are committed to promoting diversity across the Group in all forms, including diversity of gender, race, age, disability, neurodiversity, sexual orientation, education, social and cultural background, and belief.

From an overall Group perspective, we have set a target of increasing the proportion of females in all senior management positions across the businesses to at least 33% by 2027. Various initiatives have been instigated to support delivery of this target, including the provision of diversity and inclusion training for all our senior leaders and the participants in our various development programmes. A number of these activities continue to be supported by our female Board members.

### > FURTHER DETAILS OF THE PROGRESS MADE DURING THE YEAR ARE SET OUT ON PAGE 64

With regards to the Board, the Committee is cognisant of the diversity targets set out in Listing Rule 9.8.6R(9). As referenced above, Andrew Davies, the current Senior Independent Director, will step down from the Board as a non-executive director on 31 January 2025 and it has been agreed that Fiona MacAulay will succeed him as the Senior Independent Director. Following Fiona's appointment, the Group will meet all the diversity targets in the Listing Rule.

The charts below illustrate the gender identity or sex and ethnic background of the Board and the Executive Committee as at 31 October 2024. Details of the diversity of employees more widely across the Group are set out on pages 64 and 65.

## GENDER IDENTITY OR SEX OF THE BOARD AND EXECUTIVE COMMITTEE

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number on the Executive Committee	Percentage of Executive Committee
Men	6	60%	4	7	87%
Women	4	40%	—	1	13%
Not specified/prefer not to say	—	—	—	—	—

## ETHNIC BACKGROUND OF THE BOARD AND EXECUTIVE COMMITTEE

Board member	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number on the Executive Committee	Percentage of Executive Committee
White British or other white (including minority-white groups)	9	90%	4	8	100%
Mixed/multiple ethnic groups	—	—	—	—	—
Asian/Asian British	1	10%	—	—	—
Black/African/Caribbean/Black British	—	—	—	—	—
Other ethnic group, including Arab	—	—	—	—	—
Not specified/prefer not to say	—	—	—	—	—

## SUCCESSION PLANNING

The Committee is responsible for promoting effective succession planning for the Board and the Executive Committee, to ensure that the leadership of the business remains aligned with the Group's strategy.

During the year, an assessment of the succession plans for the key leadership roles at the Group level and within the businesses, developed utilising the Group's established succession planning framework, was considered by the Committee and the Board. The need for more diversity within the talent pipeline continues to be recognised by the Committee and this remains a key focus of our people and DE&I strategy. In 2025 we will refresh our key development programmes to ensure that the selection criteria are appropriately driving further gender diversity improvements in our talent pipeline.

The Committee is satisfied that appropriate succession plans are in place for the Board and members of the Executive Committee covering emergency replacements. Longer-term appointments will be considered on a case-by-case basis, including internal candidates where available or external recruitment where deemed more appropriate.

### > FURTHER DETAILS ON OUR APPROACH TO SUCCESSION PLANNING AND TALENT MANAGEMENT ARE SET OUT ON PAGES 62 TO 64

**Tony Wood**  
Chairman of the Nomination Committee  
17 December 2024





DIRECTORS' REMUNERATION REPORT

Remuneration overview



Laurie Bowen  
Chair of the Remuneration Committee

REMUNERATION COMMITTEE MEMBERS

Laurie Bowen (Chair)
Andrew Davies
Carl-Peter Forster (retired 30 November 2024)
Stephen King
Fiona MacAulay
Tony Wood (appointed 1 October 2024)

MEMBERSHIP AND OPERATION OF THE  
REMUNERATION COMMITTEE

The Remuneration Committee has been established by the Board and is responsible for the remuneration of the executive directors, the Chairman and the leadership team at the next level. All members of the Committee are independent non-executive directors, save for Mr Wood who was independent on appointment to the Board.

The Committee's responsibilities are set out in its terms of reference, which are available on the Company's website.

Details of the attendance of members of the Committee at meetings held during the year are shown on page 97. The Group Legal Director & Company Secretary acts as secretary to the Committee and the Group Chief Executive and Chief Financial Officer attend meetings by invitation, but no executive director or other employee is present during discussions relating directly to their own remuneration.

INTRODUCTION

The directors' remuneration report for the year ended 31 October 2024 comprises:

- my annual report on the activities of the Remuneration Committee during the year;
- the new directors' remuneration policy which will be put to shareholders for approval at the Annual General Meeting on 26 February 2025;
- an overview of how the new policy will be implemented in 2025;
- the annual report on remuneration, which explains how the current directors' remuneration policy was implemented in 2024; and
- additional statutory information on remuneration arrangements.

THE REMUNERATION COMMITTEE'S ACTIVITIES DURING THE YEAR

During the year the Committee carried out its triennial review of the executive directors' remuneration policy, taking into account the Group's investment and growth strategy, developments in market practice, investor and proxy advisor guidance for 2025, and also the growth in the size of Chemring since the approval of the current policy at the Annual General Meeting in 2022.

As part of the review, the Committee engaged with our major shareholders and the leading advisory agencies to explain and provide context for the proposed changes to policy and implementation for 2025. The consultation process involved a letter being sent to our fourteen largest institutional shareholders who collectively own circa 50% of the Company's shares, with the offer of meetings as necessary. The Committee received feedback from six institutional investors, with four requesting additional background to the choice of performance metrics and two requesting further details on the stretch in the proposed 2025 long-term incentive plan performance targets in light of the higher proposed long-term incentive quantum. As Committee Chair, I provided the additional information requested and note that the feedback was generally supportive of the proposed revisions to our policy and its implementation for 2025. With regard to the changes we did make to our original proposals, these included a number of modest revisions relating to bonus deferral and malus and clawback following the publication of the 2024 Investment Association guidelines. These changes, along with details of an adjustment to our recently-appointed Chief Financial Officer's salary as a result of his performance and increased experience in post, were then set out in a follow-up letter. Details of the revisions to policy and implementation are summarised below and included in detail within the following directors' remuneration report. I have included in the relevant sections in this report the context provided to investors on the points raised during consultation.

As part of the policy review, the Committee also considered the cascade of remuneration below Board and the structure of incentives taking into account the markets we operate in and the businesses we compete against.

The new policy will be put to a shareholder vote at the 2025 Annual General Meeting and, if approved, is intended to apply for a three-year period.

The table below summarises the Committee's key activities and decisions made during the year.



## SUMMARY OF MAJOR ACTIVITIES AND DECISIONS OF THE COMMITTEE IN 2024

<b>SALARY</b>	<ul style="list-style-type: none"> <li>2024 salary reviews for the executive directors and members of the senior leadership team</li> </ul>
<b>ANNUAL BONUS</b>	<ul style="list-style-type: none"> <li>Approval of the 2024 annual bonus plan financial targets and strategic objectives for the executive directors</li> <li>Consideration of the 2024 annual bonus plan payments</li> </ul>
<b>PERFORMANCE SHARE PLAN ("PSP")</b>	<ul style="list-style-type: none"> <li>Consideration of vesting outcomes for PSP awards made in 2021</li> <li>Approval of 2024 PSP awards and performance conditions</li> </ul>
<b>APPOINTMENTS</b>	<ul style="list-style-type: none"> <li>Approval of the remuneration arrangements for the new Chairman</li> </ul>
<b>GOVERNANCE AND POLICY</b>	<ul style="list-style-type: none"> <li>Development of new directors' remuneration policy and consultation with shareholders on the proposed policy</li> </ul>

### PERFORMANCE FOR 2024 AND REMUNERATION OUTCOMES

We increased revenue by 8% on 2023 and underlying operating profit by 2.7% (based on continuing operations). Statutory operating profit increased by 28.0% and underlying cash conversion was 102%. Overall, the Group delivered a strong performance and closed the year with a record order book.

Further progress has also been made in 2024 in relation to our sustainability agenda, with our scope 1 and 2 emissions (market-based) reducing by a further 13% during the year.

It is in this context that the Remuneration Committee has reviewed the 2024 outturns.

Performance against the 2024 annual bonus and PSP targets is explained in more detail on pages 121 to 126 but in summary:

#### - Annual bonus:

The annual bonus for 2024 was subject to EPS, operating cash flow and strategic objective measures. As a result of the continuing strong financial performance of the Group during 2024, which resulted in EPS growth just ahead of target and the stretch operating cash flow being exceeded, 51.3% of the EPS metric and 100% of the operating cash flow metric will pay out. The Committee carefully assessed the performance of the executive directors against the common set of safety, people, governance, growth, strategic and sustainability targets set at the beginning of the financial year and, as a result of performance against the targets set, determined that 80% of the maximum was payable.

The total bonus payments for 2024 are therefore just under 77% of maximum for each of the executive directors.

#### - PSP awards made on 15 December 2021 (subject to performance over the three years ended 31 October 2024):

The PSP awards granted to the executive directors on 15 December 2021 were subject 50% to EPS targets, 30% to relative TSR targets and 20% to targets on the reduction of scope 1 and scope 2 market-based emissions. Based on strong EPS growth of 10.7% p.a. over the three-year performance period, which exceeded the maximum target of 10% p.a., TSR performance over the same period, placing Chemring just below the upper quartile versus the comparator group (ranking circa 98th out of the 353 FTSE All Share companies excluding investment trusts), and 30% reduction in scope 1 and scope 2 emissions over the performance period, these awards will vest at 97.63% of the maximum.

The Committee is satisfied the remuneration policy has operated as intended in relation to performance and remuneration outcomes for 2024 and did not use any discretion. The Committee considered the impact of the share buyback programme announced in August 2023 and concluded that this did not impact the extent of achievement against the targets detailed above given the level of out-performance achieved. In addition, in concluding that remuneration payments overall and the policy have operated appropriately, the Committee considered the bonuses payable across the Group, individual businesses' performance and the relativities between employees and executive directors in light of their roles and potential impact on the Group performance (this included considering pay ratios). The Committee noted the wider stakeholder experience, in particular the Group's TSR growth of 24% over 2024 and a total dividend of 7.8p in 2024, up 13% on the prior year.

### BOARD CHANGES

In June 2024, we announced the appointment of Tony Wood as the successor to Carl-Peter Forster as Chairman of the Board. Tony Wood joined the Board on 1 October 2024 as an independent non-executive director and Chairman-designate, and he became Chairman of the Board on 1 December 2024, following Carl-Peter Forster's retirement. His fee as Chairman is all inclusive and has been set at £265,000, taking into account the expected time commitment of the role and market rates for companies of a similar size to the Group at the time of appointment.

### REMUNERATION POLICY REVIEW

During the year, the Committee spent time reviewing the remuneration policy in the context of our current strategy and the growth of Chemring over the last three years.

Since the last policy review, Chemring has firmly established its position as a mid-sized FTSE 250 company, reflecting the sustained growth that has been achieved over the last three years.

The outputs of the Group's strategic initiatives over the past three years have been substantial and include the expansion of our product, service and capability offerings within Sensors & Information, significant investments within the Countermeasures & Energetics businesses to modernise and expand our manufacturing capacity, and the implementation of a share buyback programme. This business progress has supported growth in revenue and profitability of over 10% since 2021 and shareholder returns of over 55%, significantly ahead of the FTSE 250 Index as a whole.

The Group's longer-term growth prospects are strong, underpinned by robust activity levels, our leading technological offerings, our people, our niche market positions and strong balance sheet, and the investments we continue to make in our high-quality businesses. These foundations put in place under the leadership of our current executive team support our refined investment and growth strategy, which balances near-term performance with sustainable longer-term value creation so we can continue to deliver on our core purpose.

The policy review concluded that our current policy is generally working effectively and is well aligned with institutional investors' "best practice" expectations. As a result, we are not proposing substantial changes to the current arrangements. However, as a result of our above market growth over the past three years and our refined investment and growth strategy (as detailed in our half year report in June), we are proposing a small number of changes to better align executive remuneration with the current size of our business and strategy, as well as making minor amendments to take account of the guidance from leading proxy advisory bodies for 2025.



## DIRECTORS' REMUNERATION REPORT continued

## Remuneration overview continued

## REMUNERATION POLICY REVIEW continued

The main change to policy that we are proposing to make is an increase to the long-term incentive opportunity to 175% of salary from 150% of salary for all executive directors. This increase to quantum recognises the growth in Chemring's size since the last policy review and will enable the Committee to provide a market competitive remuneration opportunity to the executive directors whilst also managing pay compression issues. The increased opportunity results in total incentives weighted towards the long term, which is considered appropriate given the Group's long-term strategic view. There is no change to the exceptional maximum limit of 200% of salary.

The Committee has also reviewed performance metrics and targets to ensure alignment with strategy and to appropriately recognise the increased long-term incentive quantum. As a result, cash conversion will be introduced as a performance measure for the 2025 long-term incentive awards, given the importance of effective management of working capital as the Group continues to grow and the focus on cash generation during the investment phase in our Energetics businesses. Further details of this measure are set out below and in the implementation section.

In light of the updated Investment Association Principles of Remuneration, we also included flexibility to reduce (or remove) bonus deferral once an executive director has met their minimum 200% of salary shareholding requirement. For 2025 bonuses, executive directors who have met their 200% of salary share ownership requirement will have a reduced deferral requirement from 40% of the total bonus to 20%. In determining this change to policy, the Committee noted the current shareholdings of the executive directors, excluding our Chief Financial Officer who recently joined the Board, which were 203% of salary (as at 31 October 2024) for the Group Chief Executive and 208% for the Group Legal Director & Company Secretary. The Committee also noted the substantial weighting in our policy to long-term performance, achieved through operating our long-term incentive plan, the two-year holding period on vested long-term incentive plan shares, and the 200% of salary share ownership requirement. Other factors considered included the broadening of our malus and clawback provisions (as detailed below) and emerging FTSE 350 market practice in that where companies are reducing bonus deferral once share ownership guidelines have been met, this is typically by 50%. Given these factors, the Committee was comfortable relaxing the bonus deferral requirements for 2025 once the share ownership guidelines were met. With regard to clawback and malus, the Committee has broadened the trigger events within our updated policy (i.e. the circumstances when we are able to reduce or reclaim value from incentive awards), which in future will also include the failure of risk management and also the circumstance of the Committee treating a director as a good leaver due to retirement but for the director to then take a new full time executive role. These new trigger events will operate alongside the wider comprehensive trigger events already included in our scheme documents (i.e. misstatement of financial results, error in assessing performance, misconduct, insolvency and reputational damage). These provisions are included in the appropriate plan rules and/or grant documentation and so the Committee is comfortable these changes are aligned with the good practice set out in the updated Investment Association Principles of Remuneration.

## IMPLEMENTATION OF THE NEW POLICY FOR 2025

Base salaries were reviewed as part of the policy review and increases will be made effective from 1 January 2025.

The Group Chief Executive and the Group Legal Director & Company Secretary will each receive a cost-of-living related salary increase of 3.8% of salary effective 1 January 2025. The rate of increase was in line with the average of budgeted increases that were set by, and then agreed with, each of the Group's UK businesses for 2025.

The Chief Financial Officer was appointed to the Board on 1 January 2024. His salary was set at a discount to his predecessor and the market rate for the role given this was his first PLC Board role. As part of the review of his salary, noting both his strong performance in post and his increased experience as a PLC Chief Financial Officer, the Committee concluded that it was appropriate to make a one-off adjustment to reposition his salary. The Committee believes that executive directors should receive a fair and appropriate level of remuneration

for their role and contribution to the business, and therefore considers it appropriate for the Chief Financial Officer to be paid the market rate for his role. As such, the Chief Financial Officer's salary will be increased by a single circa 8% increase, plus the 3.8% increase in line with the average for the UK workforce, resulting in a salary of £415,000 effective 1 January 2025. This salary positioning is considered to be at market for the role, taking into account market data for similar sized FTSE 250 companies, and it is also consistent with the salary of our former Chief Financial Officer at his date of leaving, adjusted for the average 3.8% workforce-related budgeted increase.

Pension contributions for the executive directors will continue to be 7.5% of salary, aligned with the majority practice across the UK workforce.

The annual bonus opportunity will continue to be 150% of salary for the Group Chief Executive, and 125% of salary for the Chief Financial Officer and the Group Legal Director & Company Secretary. Performance measures are unchanged for 2025, with 40% subject to EPS, 40% operating cash flow and 20% common strategic objectives. The range of financial targets has been set taking into account market conditions in the defence sector.

Long-term incentive awards will be granted over 175% of salary for each of the executive directors. Performance measures have been re-weighted to reflect the introduction of the operating cash conversion metric for 20% of the award. The remainder of the award will be subject 40% to EPS, 20% to relative TSR, and 20% to ESG metrics related to scope 1 and scope 2 emissions. These metrics, and their associated weightings, reflect the key areas of focus for the next three-year period, being delivering profitable growth, achieving operational efficiency and effective management of working capital to support our investments, reducing our carbon footprint and delivering shareholder returns. The range of financial targets and carbon reduction targets has been set to be appropriately challenging taking into account the increased quantum and, having had regard to internal plans, external market expectations for the Group's performance and forecast economic conditions over the three-year performance period. The target ranges, to be tested over the three-year period ending 30 October 2027, are as follows:

- EPS growth of between 5% p.a. (25% vests) and 10% p.a. (100% vests), with vesting between performance points on a straight-line basis.
- TSR performance measured relative to the FTSE All Share Index constituents (excluding investment trusts) with vesting from median (25% vests) to upper quartile (100% vests), with vesting between performance points on a straight-line basis.
- Average operating cash conversion of between 80% (25% vests) and 100% (100% vests), with vesting between performance points on a straight-line basis.
- Reduction in scope 1 and scope 2 emissions (market-based) of between 15% (25% vests) and 25% (100% vests), with vesting between performance points on a straight-line basis.



A discussion point during consultation was the degree of stretch in the range of EPS targets in light of the higher quantum, given that the headline rate of growth required for vesting was being set at the same rate as in prior year awards. Having had regard to the significant increases in UK business taxation, both corporation tax and national insurance, in addition to higher interest costs as Chemring moves into a greater investment phase, this resulted in the Committee considering the 5% to 10% p.a. range to be more demanding in the current commercial context than in prior years. As part of its analysis, the Committee noted that the higher tax and interest costs, as well as the Government's current fiscal plans which impact our business, mean that at the current time there is limited potential for material vesting under the EPS elements of the outstanding in-flight long-term incentive awards based on the prevailing consensus expectations for our future performance (i.e. 5% to 10% p.a. has become significantly tougher in current market conditions).

With regard to the TSR targets, the choice of the FTSE All Share Index (excluding investment trusts) as the preferred peer group is appropriate given Chemring is towards the middle of the group in terms of current market capitalisation and there are an insufficient number of direct UK listed comparators from which to determine a bespoke peer group.

In relation to the average operating cash conversion targets, the range of targets were set having had regard to our investment plans over the next three-year period and, specifically, the challenges of converting profit into cash during a period of growth and effectively managing working capital.

The carbon reduction targets were set to be aligned with our carbon reduction commitments.

Overall, the Committee considers the above targets to strike the right balance between driving the delivery of medium-term performance and longer-term growth and valuation creation. The same targets apply across the executive team and so need to be realistic at the lower end of the performance ranges and stretching at the top end, given internal plans, market expectations and also the proposed quantum of awards.

With regard to non-executive director fees, the Board Chair fee for Tony Wood was set at £265,000 on appointment and will next be reviewed with effect from 1 January 2026. The base fee payable to the other non-executive directors will be increased with effect from 1 January 2025 at 3.8%, in line with the average budgeted increases set by the Group's UK businesses. Small adjustments will also be made to the fees paid to the non-executive directors for their additional roles to align with the expected future time commitment and current market rates, as detailed on page 118.

## RENEWAL OF LONG-TERM INCENTIVE PLAN RULES

Our current PSP expires in 2026 and therefore the Committee is taking the opportunity to renew the plan at the 2025 Annual General Meeting. The new long-term incentive plan rules align with standard market practice and will facilitate the operation of our directors' remuneration policy and the award of long-term incentives more generally within Chemring. A full summary of the principal terms of the plan are set out in our 2025 Annual General Meeting notice. It is the Committee's intention to grant awards to the executive directors under the existing PSP at 150% of salary shortly following the announcement of the Group's 2024 results (in line with normal practice) and then to grant an additional 25% of salary award, as per the proposed 2025 revised remuneration policy, under the new long-term incentive plan shortly following the 2025 Annual General Meeting. This will result in the total awards being granted to executive directors for 2025 having a value of 175% of salary, subject to the relevant shareholder approvals at the Annual General Meeting.

## EMPLOYEE PAY AND ENGAGEMENT

With inflation remaining relatively high, we continued to take a range of actions to support our employees in 2024. Given the nature of our operating model, which necessitates a level of independence within our US operations, our salary management responses varied by location based on our understanding of local needs.

Outside of pay, as the designated non-executive director, I visited employees in locations in the UK and the US to understand their perception of working for Chemring and take their feedback to the Board. During these meetings, which included front-line employees, supervisors, and middle and senior management, the topics covered included Chemring's approach to governance, including the workings of the Remuneration Committee, and how remuneration links to strategy through the business. Participants in these discussions had the opportunity to feed back on remuneration as well as wider employment considerations and all feedback received was presented to the appropriate business leadership, the relevant Board committees and the full Board. My role supplements the wider employee engagement process at Chemring, which includes regular all-hands meetings and team briefings and other business-specific engagement tools. These processes ensure that we understand the employee perspective and can take appropriate action as we did during 2024.

## CONCLUSION

I hope you will find this report helpful and informative, and that you will support the resolutions on the directors' remuneration policy and the directors' remuneration report and the new long-term incentive plan rules at our forthcoming Annual General Meeting. Please do not hesitate to contact me on executive directors' remuneration matters via Sarah Ellard, Group Legal Director & Company Secretary, at [sarahe@chemring.co.uk](mailto:sarahe@chemring.co.uk).

**Laurie Bowen**

**Chair of the Remuneration Committee**

17 December 2024



## DIRECTORS' REMUNERATION REPORT continued

# Directors' remuneration policy

This part of the directors' remuneration report sets out the remuneration policy for the executive directors and has been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the Companies (Miscellaneous Reporting) Regulations 2018 and the Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019 (the "Regulations").

This directors' remuneration policy will be put to a binding shareholder vote at the Company's Annual General Meeting on 26 February 2025. If approved, the policy will apply for a three-year period from the date of the Annual General Meeting, unless shareholder approval is sought for earlier changes.

## KEY OBJECTIVES

In developing a policy for the executive directors' remuneration, the Remuneration Committee seeks to:

- maintain a competitive package of rewards required to promote the long-term success of the Company, without being excessive by reference to market rates across comparator companies, and neither encouraging or rewarding inappropriate risk taking;
- ensure performance-related elements:
  - > are transparent, stretching and rigorously applied;
  - > form a significant proportion of the total remuneration package of each executive director; and
  - > align the interests of executives with those of shareholders, by ensuring that a significant proportion of remuneration is performance related and delivered in shares; and

- set remuneration in the context of the core values of the business and with the aim of alignment with culture.

The remuneration policy for the executive directors and other senior executives is also designed with regard to the policy for employees across the Group as a whole. However, there are some differences in the structure of the remuneration policy for executive directors and other senior executives. In general, these differences arise from the development of remuneration arrangements that are market-competitive for the various categories of individuals. They also reflect the fact that, in the case of the executive directors and other senior executives, a greater emphasis tends to be placed on performance-related pay in the market.

## DECISION MAKING PROCESS

The Committee periodically reviews the policy and its implementation to ensure it continues to allow us to incentivise and reward the executive directors to achieve our strategy in both the short and long term. The review is undertaken in the absence of the executive directors, where appropriate, to manage potential conflicts of interest, and with the advice of our remuneration consultants. The views of our shareholders and investor representative bodies are taken into account in determining the policy and implementation each year, as well as the UK Corporate Governance Code and market practice. The Committee also has regard to the general pay levels and policies across the Group and takes these into account when setting executive director pay.

Operation of the policy is considered annually for the year ahead in light of the strategy and wider stakeholder experience, including the level of salary increase, the types of performance metrics, and the weightings and target ranges for incentives.

## CONSIDERATION OF CODE PROVISIONS IN DETERMINING POLICY

When determining the directors' remuneration policy for the executive directors, the Remuneration Committee also addressed the following factors outlined in the 2018 Code:

FACTOR	HOW THIS HAS BEEN ADDRESSED
<b>CLARITY</b> Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	The Chair of the Remuneration Committee consults with major shareholders on the directors' remuneration policy, which is subject to shareholder approval every three years, and on any significant proposed changes to the policy.  The employee engagement initiatives implemented by the Board provide an opportunity for employees to express their views on a wide range of topics, including directors' remuneration arrangements.
<b>SIMPLICITY</b> Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	The Company operates only two incentive plans for the executive directors – an annual bonus plan to incentivise and reward short-term performance and the performance share plan ("PSP"), which incentivises long-term performance and aligns management's interests with shareholder interests. The annual bonus plan structure for the executive directors is broadly replicated in the bonus arrangements for the business unit leaders and their direct reports.
<b>RISK</b> 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 strategic 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.
<b>PREDICTABILITY</b> The range of possible values of rewards to individual directors and any other limits of discretions should be identified and explained at the time of approving the policy.	The directors' remuneration policy imposes maximum levels for annual bonus payments and PSP awards and sets out the potential remuneration scenarios for executive directors at differing levels of performance. The Remuneration Committee's discretions are also detailed in the policy.
<b>PROPORTIONALITY</b> 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.
<b>ALIGNMENT TO CULTURE</b> Incentive schemes should drive behaviours consistent with company purpose, values and strategy.	The annual bonus plan includes non-financial strategic objectives which embrace the Company's values of Safety, Excellence and Innovation, and which are also aligned to the delivery of the Group's agreed strategy. The performance conditions under the PSP also incentivise long-term performance through the delivery of strategy and shareholder value.





## SUMMARY OF PROPOSED CHANGES TO POLICY

The changes to the directors' remuneration policy are set out below.

### Annual bonus

- The level of bonus deferral will be reduced (or removed) from 40% once the executive directors have met their shareholding requirement. For 2025 bonuses, executive directors who have met their 200% of salary share ownership requirement will have their deferral reduced from 40% of the total bonus to 20%.

### Long-term incentive plan

- The normal maximum awards for the executive directors under the long-term incentive plan are to be increased from 150% of salary to 175% of salary. There is no change to the exceptional maximum limit of 200% of salary.
- Up to 25% of maximum will be payable for achievement of threshold performance (previously 25% of maximum payable for threshold, with performance below threshold resulting in zero payment).

### Malus and clawback

- The malus and clawback provision trigger events for the annual bonus and long-term incentive plans will be broadened to include the failure of risk management and the circumstance of the Committee treating a director as a good leaver due to retirement but the director then returning to executive employment.

### Shareholding requirements

- The policy clarifies that the net of tax number of any deferred bonus shares will count towards the shareholding requirement.

## REMUNERATION POLICY

The table below sets out each element of the executive directors' remuneration policy, how the element is operated and the link to Company strategy.

ELEMENT	PURPOSE AND LINK TO STRATEGY	OPERATION	MAXIMUM	PERFORMANCE ASSESSMENT
Salary	<ul style="list-style-type: none"> <li>- Reflects the performance of the individual, their skills and experience over time, and the responsibilities of the role</li> <li>- Provides an appropriate level of basic fixed income, avoiding excessive risk arising from over-reliance on variable income</li> </ul>	<ul style="list-style-type: none"> <li>- Normally reviewed annually with effect from 1 January</li> <li>- Benchmarked periodically against companies with similar characteristics and companies within the same sector</li> <li>- Salaries take account of complexity of the role, market competitiveness, Group performance and the increases awarded to the wider workforce</li> </ul>	<ul style="list-style-type: none"> <li>- Salary increases will normally be set with reference to those received by the wider workforce</li> <li>- More significant increases may be awarded at the discretion of the Committee, for example where there is a change in responsibilities, to reflect individual development and performance in the role</li> </ul>	<ul style="list-style-type: none"> <li>- None, although overall individual and company performance is a factor considered when setting and reviewing salaries</li> </ul>
Bonus	<ul style="list-style-type: none"> <li>- Incentivises delivery of financial, strategic and personal goals</li> <li>- Maximum bonus only payable for achieving demanding targets</li> <li>- Delivery of a proportion of bonus in deferred shares plus the ability to receive dividend equivalents provides alignment with shareholders' interests and assists with retention</li> </ul>	<ul style="list-style-type: none"> <li>- Paid in cash, with up to 40% deferred as a conditional award of deferred shares</li> <li>- Once the minimum shareholding requirement has been met, the Remuneration Committee may reduce or remove the requirement for a portion of the bonus to be subject to deferral. For 2025 bonuses, deferral of bonus will be limited to 20% of the bonus if the executive director has met their minimum shareholding requirement</li> <li>- Vesting of deferred shares is subject to continued employment (save in "good leaver" scenarios) at the end of three years from the award of the bonus</li> <li>- The payment of any earned bonus remains ultimately at the discretion of the Committee</li> <li>- Non-pensionable</li> <li>- Executives are entitled to receive, on vesting of deferred share awards, the value of dividend payments that would otherwise have been paid on the deferred shares during the deferral period</li> </ul>	<ul style="list-style-type: none"> <li>- Chief Executive – 150% of salary</li> <li>- Other executive directors – 125% of salary</li> </ul>	<ul style="list-style-type: none"> <li>- Mix of Group financial and, if appropriate, non-financial objectives; financial objectives will determine the majority of the award and will typically include a measure of profitability and cash flow, although the Committee has discretion to select other metrics</li> <li>- Non-financial objectives will be measurable and linked to goals that are consistent with the Group's strategy</li> <li>- Payment of the non-financial objectives element will be subject to a general underpin based on the Committee's assessment of underlying business performance, including inter alia levels of profitability and cash flow, as well as health and safety performance</li> <li>- Performance below the threshold for each financial target results in zero payment in respect of that element. Payment rises from 0% to 100% of the maximum opportunity for levels of performance between threshold and maximum with 50% of the maximum normally payable for on-target performance</li> <li>- Includes a malus and clawback mechanism<sup>6</sup></li> </ul>



## DIRECTORS' REMUNERATION REPORT continued

## Directors' remuneration policy continued

## REMUNERATION POLICY continued

ELEMENT	PURPOSE AND LINK TO STRATEGY	OPERATION	MAXIMUM	PERFORMANCE ASSESSMENT
<b>Long-term incentive plan ("LTIP")</b>	<ul style="list-style-type: none"> <li>Incentivises executives to achieve targets aligned to the Group's main strategic objectives of delivering sustainable growth and shareholder returns</li> <li>Delivery of awards in shares plus the ability to receive dividend equivalents helps align executives' rewards with shareholders' interests</li> </ul>	<ul style="list-style-type: none"> <li>Annual grants of shares, which vest subject to the Group's performance measured over at least three years</li> <li>Any shares vesting must be held by the executives for a further period of two years</li> <li>Executives are entitled to receive the value of dividend payments that would otherwise have been paid on vested awards</li> <li>All awards are subject to the discretions given to the Committee in the plan rules during the vesting period</li> </ul>	<ul style="list-style-type: none"> <li>Normally 175% of base salary (although grants of up to 200% of base salary may be made in exceptional circumstances such as on recruitment)</li> </ul>	<ul style="list-style-type: none"> <li>Awards will be subject to a combination of long-term measures which are aligned to the shareholder experience and may include financial metrics (such as EPS and cash conversion), shareholder value metrics (such as TSR), capital efficiency measures (such as ROCE) and ESG or strategic measures. The Committee will have discretion to set different measures and weightings for awards in future years to best support the strategy of the business at that time</li> <li>Targets for each performance measure are set by the Remuneration Committee prior to each grant. Targets will be based on a sliding scale where appropriate</li> <li>For each measure, threshold performance results in payment of up to 25% of maximum opportunity rising to 100% of the maximum opportunity for achievement of maximum performance</li> <li>Includes a malus and clawback mechanism<sup>6</sup></li> </ul>
<b>All-employee share scheme</b>	<ul style="list-style-type: none"> <li>UK employees, including executive directors, are encouraged to acquire shares by participating in the Group's all-employee share plan – the UK Sharesave Plan</li> </ul>	<ul style="list-style-type: none"> <li>The UK Sharesave Plan has standard terms</li> </ul>	<ul style="list-style-type: none"> <li>Participation limits are those set by HM Revenue &amp; Customs from time to time</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>
<b>Pension</b>	<ul style="list-style-type: none"> <li>Provides retirement benefits that reward sustained contribution</li> </ul>	<ul style="list-style-type: none"> <li>Pension provision is in the form of a cash supplement, subject to auto-enrolment in the Group's defined contribution scheme</li> </ul>	<ul style="list-style-type: none"> <li>The pension provision for executive directors is aligned with the majority rate available to the wider UK workforce (or other location as appropriate based on the location of the executive director). In the UK, it is currently 7.5% of base salary</li> <li>Executive directors receive a cash supplement contribution paid in lieu of occupational pension scheme membership. All UK employees, including the executive directors, are subject to auto-enrolment into the Group's defined contribution scheme unless they opt out. The minimum employer contribution is set at 6% of base salary</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>
<b>Other benefits</b>	<ul style="list-style-type: none"> <li>Provides a competitive package of benefits that assists with recruitment and retention</li> </ul>	<ul style="list-style-type: none"> <li>Main benefits currently provided to UK executives include but are not limited to a car allowance, life assurance and private medical insurance</li> <li>Executive directors are eligible for other benefits which may also be introduced for the wider workforce on broadly similar terms</li> </ul>	<ul style="list-style-type: none"> <li>Cash allowance in lieu of company car of up to £25,000 per annum</li> <li>Other benefits will be in line with market. The value of each benefit is based on the cost to the Company and is not pre-determined</li> <li>Any reasonable business-related expenses (including tax thereon) can be reimbursed if determined to be a taxable benefit</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>



ELEMENT	PURPOSE AND LINK TO STRATEGY	OPERATION	MAXIMUM	PERFORMANCE ASSESSMENT
<b>Minimum shareholding requirements</b>	<ul style="list-style-type: none"> <li>- Aligns the interests of the executive directors with those of shareholders</li> </ul>	<ul style="list-style-type: none"> <li>- Executive directors are expected to build up and maintain a shareholding in the company equivalent to 200% of base salary, by retaining at least 50% of the after-tax gain on vested PSP awards until such time as the guidelines have been met. The after-tax number of unvested deferred bonus shares and/or any vested but unexercised nil-cost options under the Company's long-term incentive plan, will be eligible to count towards an executive director's shareholding</li> <li>- Executive directors will be required to hold shares to the value of the shareholding guideline (i.e 200% of base salary or their existing shareholding if lower at the time) for two years post-cessation of employment. The shareholding will be assessed at the point of stepping down from the Board</li> </ul>	- N/A	- N/A

**NOTES:**

1. A description of how the Company intends to implement the policy set out in this table for the forthcoming year is set out in the annual report on remuneration on pages 117 and 118.
2. The all-employee share plan does not have performance conditions. UK-based executive directors are eligible to participate in the UK Sharesave Plan on the same terms as other employees.
3. The Committee may make minor amendments to the policy set out above for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation, without obtaining shareholder approval for that amendment.
4. The Regulations and investor guidance encourages companies to disclose a cap within which each element of the directors' remuneration policy will operate. Where maximum amounts for elements of remuneration have been set within the policy, these will operate simply as caps and are not indicative of any aspiration.
5. While the Committee does not consider it to form part of benefits in the normal usage of that term, it has been advised that corporate hospitality, whether paid for by the Company or another, and business travel for directors, and in exceptional circumstances their families, may technically come within the applicable rules, and so the Committee expressly reserves the right for the Committee to authorise such activities within its agreed policies (and to discharge any related tax liability).
6. The annual bonus and LTIP are subject to malus and clawback provisions in the event of misconduct, error in calculation of performance, material misstatement of results, company insolvency, serious reputational damage to the Group, failure of risk management and retirement where the retired executive director subsequently returns to employment. Malus and clawback may be applied within three years from the date on which a cash bonus was paid, a deferred bonus award was granted and/or the date on which an LTIP award vests.

**COMMITTEE DISCRETIONS**

The Committee operates the Group's variable incentive plans according to their respective rules and in accordance with governing legislation and HM Revenue & Customs rules where relevant. To ensure the efficient administration of these plans, the Committee will apply certain operational discretions. These include the following:

- selecting the participants in the plans on an annual basis;
- determining the timing of grants of awards and/or payment;
- determining the quantum of awards and/or payments (within the limits set out in the policy table above);
- determining the extent of vesting based on the assessment of performance;
- making the appropriate adjustments required in certain circumstances (e.g. change of control, rights issues, corporate restructuring events and special dividends);
- determining "good leaver" status for incentive plan purposes and applying the appropriate treatment; and
- undertaking the annual review of weighting of performance measures and setting targets for the annual bonus plan and the PSP from year to year.

If an event occurs which results in the annual bonus plan or PSP performance conditions and/or targets being deemed no longer appropriate by the Committee (e.g. a material acquisition or divestment), the Committee will have the ability to adjust appropriately the measures and/or targets and alter weightings, provided that the revised conditions or targets are not materially less difficult to satisfy (taking account of the relevant circumstances).

Ultimately, the payment of any bonus is entirely at the discretion of the Committee. Equally, the operation of share incentive schemes is at the discretion of the Committee. In conjunction with malus and clawback provisions, the Committee has the flexibility to override formulaic outcomes and recover and/or withhold sums. In choosing to use this discretion, the Committee will consider the specific circumstances at the time.

Where such action is considered necessary, this will be clearly stated in the relevant directors' remuneration report.

**DIRECTORS' REMUNERATION REPORT** continued**Directors' remuneration policy** continued**SELECTION OF PERFORMANCE METRICS AND TARGETS**

The performance-related elements of remuneration will take into account the Group's risk policies and systems and will be designed to align the senior executives' interests with those of shareholders. The Committee reviews the metrics used and targets set for all of the Group's senior executives (not just the executive directors) every year, in order to ensure that they are aligned with the Group's strategy and to ensure an appropriate level of consistency of arrangements amongst the senior executive team. All financial targets will (where appropriate) be set on a sliding scale. Non-financial targets are set based on individual and management team responsibilities.

The annual bonus plan performance metrics are expected to include a mix of financial targets and non-financial objectives, reflecting the key annual priorities of the Group. The financial metrics determine the majority of the bonus and typically include operating cash flow – a key measure of the Group's ability to invest in the business, and a measure of profitability, which together reflect the Group's financial performance and are key measures for shareholders. The non-financial objectives agreed on an annual basis will be measurable and based on individual and/or team performance and will be consistent with the achievement of the Group's strategy. The choice and weighting of performance metrics will be determined by the Committee each year.

The Committee has previously applied EPS, TSR and ESG-related performance conditions to awards made under the PSP. For the 2025 award under the LTIP an operating cash conversion performance condition has also been added. The new operating cash conversion metric provides alignment with the Group's focus on the generation of cash during the next investment phase and provides a clear focus on the efficient management of working capital. EPS is a measure of the Group's overall financial success and TSR provides an external assessment of the Company's performance against a peer group. TSR also aligns the rewards received by executives with the returns received by shareholders. The ESG-related performance measure recognises Chemring's commitment to being a socially and environmentally responsible business.

The Committee will review the choice and relative balance of performance measures and the appropriateness of performance targets prior to each grant of awards under the LTIP. Financial targets are reset prior to each grant, following a review of internal and external expectations of growth for the Group, and are based on underlying performance assessment. The Committee retains discretion to set different targets for future awards, providing that, in the opinion of the Committee, the new targets are similarly challenging in light of the prevailing circumstances than those set previously. If substantially different targets to those used previously are proposed, appropriate consultation with shareholders will take place.

**HOW THE EXECUTIVE DIRECTORS' REMUNERATION POLICY RELATES TO THE WIDER GROUP**

In addition to determining the remuneration arrangements for the executive directors, the Committee considers and approves the base salaries for eight senior executives, excluding those based in the US. The Committee also receives information on general pay levels and policies across the Group. The Committee, therefore, has due regard to salary levels across the Group in applying its remuneration policy.

The Group comprises a number of businesses, some of which have been developed through organic growth, others of which have been acquired over time. As a result, there are diverse remuneration arrangements in place across the Group. An example of this is pension provision, where contributions range from 6% to 15% of salary depending on location and length of service. Where possible the business aims to consolidate and normalise its remuneration approach, particularly in relation to fixed pay arrangements, taking into account regional and sector-related variations.

In the US, the US Board has established a Compensation Committee to set the remuneration arrangements for the senior leadership of the US businesses, in accordance with the requirements of our Special Security Agreement with the US Government. The US Compensation Committee consults with the Remuneration Committee where appropriate.

The annual bonus plan for the senior leadership is typically operated for around eighty employees and works in a similar fashion to that for the executive directors, albeit with greater focus on business unit performance where appropriate. Therefore, overall bonus outcomes maintain a level of consistency with Group level performance but allow for differentiated outcomes based on business unit and individual performance.

Below Board, the performance share plan is also operated, in order to allow us to recruit and retain the best talent. Employees who are considered to have a direct influence on Group level performance participate in this plan and in 2024 this included fifty employees.

All UK employees are encouraged to participate in the UK Sharesave Plan. At present over 600 employees participate in the UK Sharesave Plan.

**HOW SHAREHOLDERS' VIEWS ARE TAKEN INTO ACCOUNT**

The Remuneration Committee considers shareholder feedback received on the directors' remuneration report each year and guidance from shareholder representative bodies more generally. Shareholders' views are key inputs when shaping remuneration policy, with the Company's major shareholders being consulted in advance in connection with proposed changes to policy.

In relation to the formulation of the new remuneration policy, shareholders' views were sought at an early opportunity. Details of the consultation process, feedback received, and outcome can be found in the Committee Chair's report on pages 106 to 109.

**LEGACY ARRANGEMENTS**

For the avoidance of doubt, authority is given to the Company to honour any commitments entered into with current or former directors (such as the payment of a pension or the unwinding of legacy share schemes) permitted under the current policy or which have been disclosed to shareholders in previous directors' remuneration reports. Details of any payments to former directors will be set out in the annual report on remuneration as they arise.

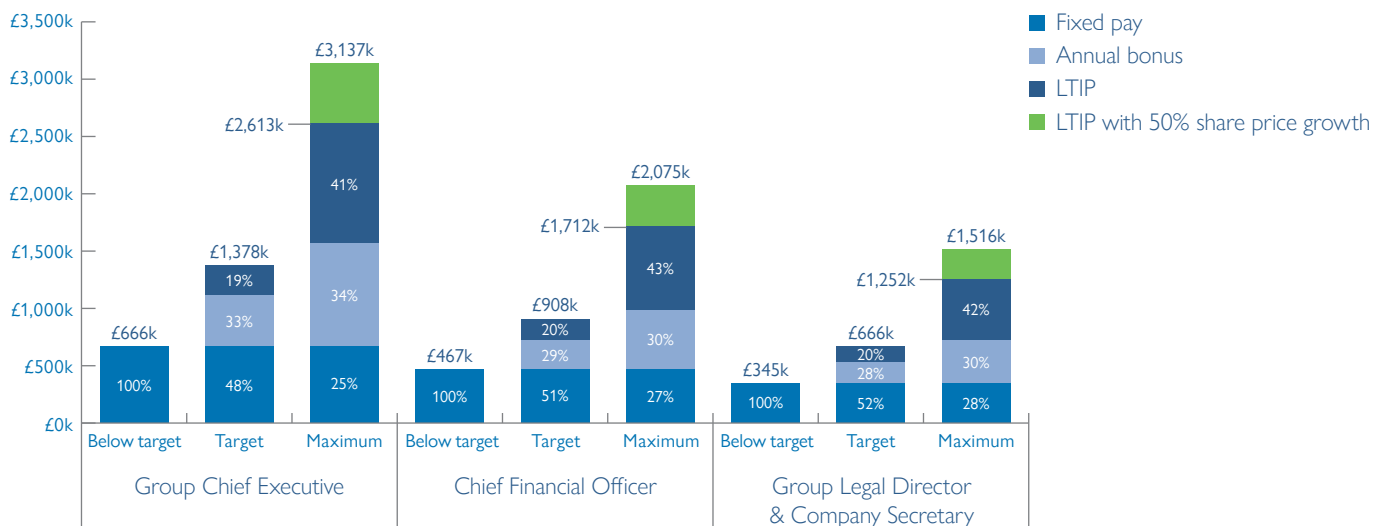
**EXTERNAL APPOINTMENTS**

The Company's policy is to permit an executive director to serve as a non-executive director elsewhere when this does not conflict with the individual's duties to the Company, and where an executive director takes such a role, they may be entitled to retain any fees which they earn from that appointment.



## POTENTIAL REMUNERATION SCENARIOS FOR EXECUTIVE DIRECTORS

The chart below details the hypothetical composition of each executive director's remuneration package and how it could vary at different levels of performance under the policy set out above.



### ASSUMPTIONS:

- Minimum = fixed pay only (salary as at 1 January 2025 plus benefits plus pension provision of 7.5% of salary).  
On target = fixed pay plus target annual bonus of 75% of salary for the Group Chief Executive and 62.5% for the other executive directors plus target LTIP awards of 43.75% of salary for each of the executive directors.  
Maximum = fixed pay plus maximum annual bonus of 150% of salary for the Group Chief Executive and 125% for the other executive directors plus maximum LTIP awards of 175% of salary for each of the executive directors.  
Maximum + share price growth = as maximum above, but with the value of the LTIP awards increased by 50% to reflect potential share price growth.
- The executive directors may participate in all-employee share schemes on the same basis as other employees. The value that may be received under these schemes is subject to tax-approved limits. For simplicity, the value that may be received from participating in these schemes has been excluded from the above chart.

### POLICY ON PAYMENTS FOR LOSS OF OFFICE

All new executive directors appointed will have service contracts which are terminable on a maximum of twelve months' notice. Provisions permitting the Company to make any termination payments by instalments and requiring directors to mitigate their loss in such circumstances will be included in each contract. The Remuneration Committee will exercise discretion in determining whether termination payments should be paid by instalments, taking account of the reason for the departure of the director and their prior performance. Other than in gross misconduct situations, the Company would expect to honour the contractual entitlements of terminated directors.

Other than in certain "good leaver" circumstances (including, but not limited to, redundancy, ill-health or retirement), no bonus would be payable under the annual bonus plan unless the individual remains employed and is not under notice at the payment date. Any bonus paid to a "good leaver" would be based on an assessment of performance over the period and would normally be pro-rated for the proportion of the year worked.

Deferred bonus share awards will also normally lapse on cessation of employment, unless the executive director is deemed to be a "good leaver" by the Remuneration Committee, as referred to above, in which case they would vest in full on the normal vesting date.

With regards to long-term incentive awards, the PSP rules provide that other than in certain "good leaver" circumstances, awards lapse on cessation of employment. Where an individual is a "good leaver", the Remuneration Committee's policy for PSP awards is normally to permit awards to remain outstanding until the end of the original performance period, when a pro-rata

reduction will be made to take account of the proportion of the vesting period that lapsed prior to termination of employment, although the Committee has the discretion to partly or completely disapply pro-rating in exceptional circumstances. The Committee has discretion to deem an individual to be a "good leaver". In doing so, it will take account of the reason for their departure and the performance of the individual. Holding periods will normally continue to apply to awards post-cessation of employment.

The Committee will have authority to pay any statutory entitlements and settle claims against the Company (e.g. for unfair dismissal, discrimination or whistleblowing) that arise on termination. The Committee may also authorise the provision of outplacement services and settle legal fees where considered appropriate.

### EXECUTIVE DIRECTORS' SERVICE AGREEMENTS AND LOSS OF OFFICE PAYMENTS

The current executive directors have rolling service contracts, details of which are summarised in the table below:

PROVISION	DETAILED TERMS
<b>Contract dates</b>	<ul style="list-style-type: none"> <li>Michael Ord – 30 April 2018 (effective 1 June 2018)</li> <li>James Mortensen – 23 May 2023 (effective 1 November 2023)</li> <li>Sarah Ellard – 2 November 2011 (effective 7 October 2011)</li> </ul>
<b>Notice period</b>	<ul style="list-style-type: none"> <li>Twelve months from both the Company and from the executive</li> </ul>
<b>Termination payments</b>	<ul style="list-style-type: none"> <li>Contracts may be terminated without notice by the payment of a sum equal to the sum of salary due for the unexpired notice period plus the fair value of any contractual benefits (including pension)</li> <li>Payments may be made in instalments and in these circumstances, there is a requirement to mitigate loss</li> </ul>

The Company's policy on service agreements reflects the approach described above (e.g. notice periods will normally be twelve months or less).

The executive directors' service contracts are available for inspection at the Company's registered office.





## DIRECTORS' REMUNERATION REPORT continued

## Directors' remuneration policy continued

## RECRUITMENT OF EXECUTIVE DIRECTORS

The remuneration package for a new executive director will take into account the skills and experience of the individual, the market rate for a candidate of that experience and the importance of securing the relevant individual.

Salaries for new hires (including internal promotions) will be set to reflect their skills and experience, the Company's intended pay positioning, and the market rate for the applicable role.

Where it is appropriate to offer a below-market salary initially, the Committee has the discretion to allow higher phased salary increases over a period of time for newly-appointed directors, even though this may involve increases in excess of the rate for the wider workforce and inflation.

Benefits will be provided in line with those offered to other executive directors, taking account of local market practice, with relocation expenses or arrangements provided if necessary. Tax equalisation may also be considered if an executive is adversely affected by taxation due to their employment with the Company. Legal fees and other costs incurred by the individual may also be paid by the Company.

The aggregate incentive opportunity offered to new recruits will be no higher than that set out in the remuneration policy table. Different performance measures and targets may be set initially for the annual bonus plan, taking into account the responsibilities of the individual and the point of the financial year at which they join. A long-term incentive award may be granted shortly following appointment (assuming the Company is not in a closed period).

Current entitlements of a new joiner from their previous employer that are forfeited (e.g. benefits, bonus and share schemes) may be bought out on terms that take due account of the nature of the entitlements in terms of (for example) type of award, time horizon, fair value and performance conditions. The Group's existing incentive arrangements will be used to the extent possible, although awards may also be granted outside of these arrangements if necessary, and as permitted under the Listing Rules, reflecting the above parameters. Such awards will not, in accordance with the Regulations, be subject to the limits of the remuneration policy for incentive pay.

In the case of an internal hire, any outstanding variable pay awarded in relation to the previous role will be allowed to pay out according to its terms of grant (and may be adjusted as relevant to take into account the Board appointment).

## POLICY IN RESPECT OF THE CHAIRMAN AND NON-EXECUTIVE DIRECTORS

ELEMENT	PURPOSE AND LINK TO STRATEGY	OPERATION	MAXIMUM	PERFORMANCE ASSESSMENT
<b>The Chairman's and non-executive directors' fees</b>	Takes account of recognised practice and set at a level that is sufficient to attract and retain high-calibre non-executives	<ul style="list-style-type: none"> <li>The Chairman is paid a single fee for all his responsibilities. The non-executive directors are paid a basic fee. Currently, the Senior Independent Director, the Chairs of the Remuneration Committee and the Audit Committee and the non-executive director responsible for employee engagement each receive additional fees to reflect their extra responsibilities</li> <li>When reviewing fee levels, account is taken of market movements in non-executive director fees, Board committee responsibilities, ongoing time commitments, the general economic environment and the level of increases awarded to the wider workforce</li> <li>Fee increases, if applicable, are normally effective from January of each year</li> <li>Non-executive directors do not participate in any pension, bonus or share incentive plans</li> <li>Non-executive directors may be compensated for travel, accommodation or hospitality-related expenses in connection with their roles and any tax thereon</li> <li>In exceptional circumstances, additional fees may be paid where there is a substantial increase in the temporary time commitment required of non-executive directors</li> </ul>	- N/A	- N/A

## CHAIRMAN'S AND NON-EXECUTIVE DIRECTORS' LETTERS OF APPOINTMENT

Non-executive directors do not receive compensation for loss of office but are appointed for a fixed term of three years, renewable for further three-year terms if both parties agree and subject to annual re-election by shareholders. The Chairman's appointment may be terminated on six months' notice by either party and the other non-executive directors' appointments may be terminated on three months' notice by either party. The non-executive directors' letters of appointment are available for inspection at the Company's registered office.

The following table provides details of the terms of appointment for the Chairman and the current non-executive directors:

Non-executive	Date original term commenced	Date current term commenced	Expected expiry date of current term
<b>Tony Wood</b>	1 October 2024	1 October 2024	30 September 2027
<b>Alpna Amar</b>	13 June 2023	13 June 2023	12 June 2026
<b>Laurie Bowen</b>	1 August 2019	1 August 2022	31 July 2025
<b>Andrew Davies</b>	17 May 2016	17 May 2022	31 January 2025
<b>Stephen King</b>	1 December 2018	1 December 2024	30 November 2027
<b>Fiona MacAulay</b>	3 June 2020	3 June 2023	2 June 2026



## APPLICATION OF THE REMUNERATION POLICY IN 2025

This part of the report sets out how the approved directors' remuneration policy will be implemented in 2025.

### Executive directors

ELEMENT	IMPLEMENTATION
<b>Salary</b>	<ul style="list-style-type: none"> <li>- The executive directors' salaries were reviewed in November 2024, and the following salary increases were agreed, effective 1 January 2025: <ul style="list-style-type: none"> <li>&gt; Michael Ord – £599,134</li> <li>&gt; James Mortensen – £415,000</li> <li>&gt; Sarah Ellard – £302,242</li> </ul> </li> <li>- As set out in the Chair's report, the Chief Financial Officer's salary increase reflects a circa 8% market-related adjustment in addition to a 3.8% UK workforce aligned increase.</li> <li>- The increases for the other executive directors were agreed at 3.8%, in line with the average of the budgeted increases that were set by, and then agreed with, the Group's UK businesses for 2025.</li> </ul>
<b>Benefits</b>	<ul style="list-style-type: none"> <li>- No changes are proposed to the benefits provision for 2025.</li> </ul>
<b>Pension</b>	<ul style="list-style-type: none"> <li>- The executive directors will receive a pension contribution of 7.5% of salary, which aligns with the typical rate of workforce pension provision.</li> </ul>
<b>Bonus</b>	<ul style="list-style-type: none"> <li>- The maximum bonus opportunity will be 150% of salary for the Group Chief Executive and 125% of salary for the Chief Financial Officer and the Group Legal Director &amp; Company Secretary.</li> <li>- The financial performance measures and weightings of financial performance measures and strategic objectives for the annual bonus plan will be unchanged: <ul style="list-style-type: none"> <li>&gt; Earnings per share 40%</li> <li>&gt; Operating cash flow 40%</li> <li>&gt; Strategic objectives 20%</li> </ul> </li> <li>- Strategic objectives have been set to reflect performance in the following key areas: <ul style="list-style-type: none"> <li>&gt; Safety, including ensuring that the Group's total recordable injury frequency rate and frequency of process safety events, particularly those involving personnel exposure, remain below the targeted maximum rates</li> <li>&gt; Sustainability, including the continued delivery of reductions in the Group's scope 1 and scope 2 carbon emissions</li> <li>&gt; Implementation of action plans to further strengthen our physical and cyber security posture, to safeguard our people, property, information and technology</li> <li>&gt; Further development of our values-based culture in order to maximise the Group's identity and competitiveness</li> <li>&gt; Delivery of diversity, equity and inclusion objectives</li> <li>&gt; Group performance and development including: <ul style="list-style-type: none"> <li>&gt; Delivery of Group-wide corporate development plans</li> <li>&gt; Delivery of organic and inorganic growth strategies for Roke</li> <li>&gt; Delivery of growth plans for the Energetics businesses and execution of the associated capital investment programmes</li> <li>&gt; Review of US strategic options</li> <li>&gt; Implementation of operational improvement plans for the US Countermeasures businesses</li> </ul> </li> </ul> </li> <li>- The Committee does not believe that it would be in shareholders' interests to prospectively disclose the financial targets under the annual bonus plan due to issues of commercial sensitivity. However, detailed retrospective disclosure of both the financial targets and the strategic objectives, and performance against them, will be included in next year's annual report on remuneration. As was the case in 2024, the range of financial targets approved for 2025 have been set in the context of current business planning and the current economic outlook. Overall, the targets are considered similarly challenging to those set in prior years in the current market context.</li> <li>- No bonus will be payable in respect of the strategic objectives unless the Committee is satisfied that this is justified by the Group's underlying performance, including inter alia levels of profitability and cash flow, as well as health and safety performance.</li> <li>- In line with the new policy, 40% of any bonus paid will be deferred for a period of three years unless the executive director has met their minimum shareholding requirement of 200% of salary. If an executive director has met their shareholding requirement, 20% of any bonus paid will be deferred for a period of three years.</li> </ul>



## DIRECTORS' REMUNERATION REPORT continued

## Directors' remuneration policy continued

ELEMENT	IMPLEMENTATION																				
Long-Term Incentive Plan (“LTIP”)	<ul style="list-style-type: none"><li>- Executive directors will be granted LTIP awards over 175% of salary in 2025.</li><li>- Performance conditions for 2025 (tested over a three-year performance period to 31 October 2027) and weightings will be 40% EPS, 20% relative TSR, 20% operating cash conversion and 20% ESG targets. 25% of each part of the award will vest for threshold or median performance, with full vesting of each part of the award for stretch or upper quartile performance.</li><li>- The performance conditions for the 2025 awards will be measured as follows:</li></ul>																				
	<table><tr><td>Performance measure</td><td>Weighting</td><td>Threshold target (25% vesting)</td><td>Maximum target (100% vesting)</td></tr><tr><td>Compound EPS growth</td><td>40%</td><td>5% p.a.</td><td>10 % p.a.</td></tr><tr><td>Relative TSR against the TSR of the FTSE All-Share (excluding investment trusts)</td><td>20%</td><td>Median</td><td>Upper quartile</td></tr><tr><td>Average operating cash conversion</td><td>20%</td><td>80%</td><td>100%</td></tr><tr><td>Reduction in scope 1 and scope 2 emissions (market-based)</td><td>20%</td><td>15%</td><td>25%</td></tr></table>	Performance measure	Weighting	Threshold target (25% vesting)	Maximum target (100% vesting)	Compound EPS growth	40%	5% p.a.	10 % p.a.	Relative TSR against the TSR of the FTSE All-Share (excluding investment trusts)	20%	Median	Upper quartile	Average operating cash conversion	20%	80%	100%	Reduction in scope 1 and scope 2 emissions (market-based)	20%	15%	25%
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	Average operating cash conversion	20%	80%	100%																	
	Reduction in scope 1 and scope 2 emissions (market-based)	20%	15%	25%																	
Straight line vesting occurs between threshold and maximum targets.																					
NOTES:																					
1. The EPS and operating cash conversion target ranges are considered stretching when viewed against internal forecasts and market expectations for our future performance with consideration also given to wider prevailing macroeconomic factors when setting the targets. The range targets also took into account the higher quantum of awards for 2025. When calibrating the range of performance targets, the lower end of the range was set to be realistic in the context of internal plans, with the top end of the range set to be a stretch target. Further context on the approach to target setting is detailed in the Chair’s annual report on the activities of the Committee during the year.																					
2. The reduction in scope 1 and scope 2 emissions target is aligned with our 2035 net zero target and takes into account the expected glidepath to reaching this goal.																					

## Fees for the Chairman and non-executive directors

As detailed in the directors' remuneration policy, the Company's approach to setting the non-executive directors' remuneration takes account of the expected time commitment of the role, recognised practice and is set at a level that is sufficient to attract and retain high-calibre non-executives. The fees for the non-executive directors are determined by the executive directors and the Chairman, and the Remuneration Committee determines the fees for the Chairman.

Details of the fees that will apply for 2025 are set out below:

	Fee as at 1 January 2025	Percentage increase
Chairman's fee <sup>1</sup>	£265,000	17.8%
Other non-executive directors' base fee	£64,213	3.8%
Audit Committee Chair fee	£12,000	20%
Remuneration Committee Chair fee	£12,000	20%
Senior Independent Director fee	£12,000	20%
Non-executive directors' fee for employee engagement	£10,000	100%

**NOTE:**

1. The Board Chair fee in 2024 prior to the appointment of our new Chairman was £224,952. The fee for the role was rebased on the appointment of a new Board Chair having had regard to the expected future time commitment of the role and having had regard to the growth in size and complexity of the Group over the past three-year period and expectations for future growth.



# 2024 remuneration at a glance

## 2024 REMUNERATION YEAR IN SUMMARY

<b>SALARY</b>	<p><b>Salary increases effective 1 January 2024 for the current executive directors were as follows:</b></p> <ul style="list-style-type: none"> <li>- Michael Ord – 4% increase to £577,200</li> <li>- Sarah Ellard – 4% increase to £291,177</li> <li>- James Mortensen joined the Board on a salary of £370,000 with effect from 1 November 2023</li> </ul>
<b>ANNUAL BONUS</b>	<p><b>Bonuses payable for 2024 performance as follows:</b></p> <ul style="list-style-type: none"> <li>- Michael Ord – 115% of salary (£662,510)</li> <li>- James Mortensen – 96% of salary (£353,905)</li> <li>- Sarah Ellard – 96% of salary (£278,511)</li> </ul>
<b>PERFORMANCE SHARE PLAN</b>	<p><b>Awards granted</b> Awards made in December 2023, valued at 150% of salary, with EPS, TSR and ESG-related performance conditions measured over a three-year period, and a two-year holding period post vesting.</p> <p><b>Awards vesting</b> Awards made in December 2021 to the Group Chief Executive and the Group Legal Director &amp; Company Secretary, which were subject to EPS, TSR and emissions reduction performance conditions measured over the three years ended 31 October 2024, will vest at 97.63% of the maximum.</p> <p>As part of the buy-out arrangements for the incentives the Chief Financial Officer waived on taking up his appointment with the Group in November 2023, he received a share award in December 2023 which will vest in line with the vesting of the awards made in December 2021 under the PSP. Accordingly, this award will also vest at 97.63% of the maximum. Full details of his buy-out arrangements were disclosed in last year's directors' remuneration report.</p>
<b>SHAREHOLDING</b>	Shareholding guideline of 200% of base salary (both in and post-employment, with the post-employment guideline based on the lower of the guideline and shares held on cessation of employment, which are held for two years).
<b>CHAIRMAN AND NON-EXECUTIVE DIRECTOR FEES</b>	Base fees for the previous Chairman and non-executive directors increased by 4% effective 1 January 2024.

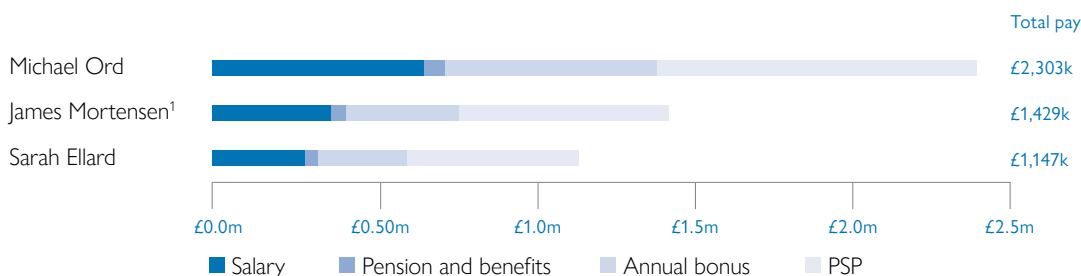


## DIRECTORS' REMUNERATION REPORT continued

## 2024 remuneration at a glance continued

## EXECUTIVE DIRECTORS' TOTAL PAY

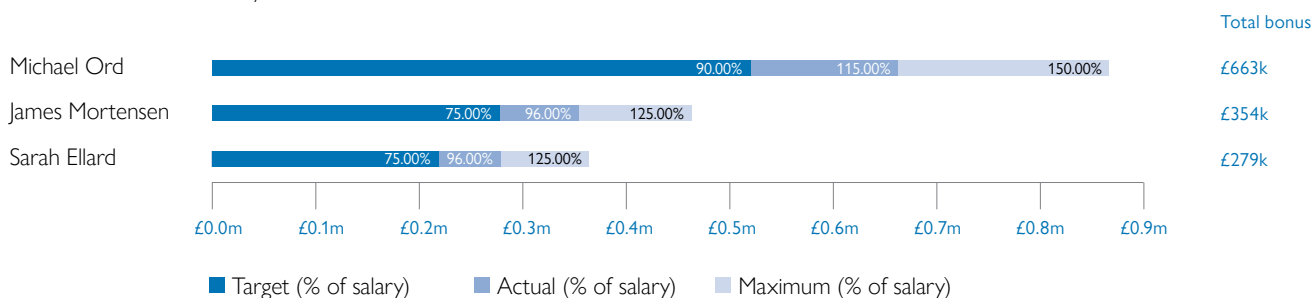
This chart illustrates the total remuneration received by the executive directors in 2024.



<sup>1</sup> James Mortensen's PSP value shown includes payments made and shares awarded in lieu of the incentives he forfeited on joining the Group (see page 126 for further details).

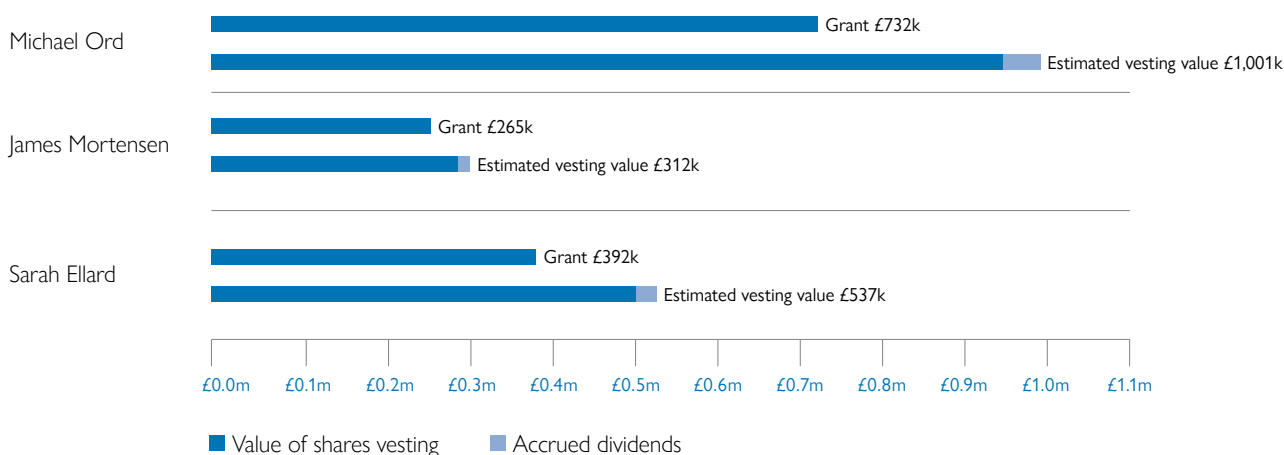
## ANNUAL BONUS PLAN OUTCOME

This chart illustrates the bonuses payable for performance in 2024. 60% of the bonus amount is payable in cash and 40% will be satisfied by way of an award of shares deferred for three years.



## PERFORMANCE SHARE PLAN OUTCOME

This chart illustrates the total value of each of the performance share plan awards granted to Michael Ord and Sarah Ellard on 15 December 2021, which will vest at 97.63% of the maximum. The grant value is based on the share price on the grant date and the vesting value is calculated on the same basis as in the directors' emoluments table on page 121. The value shown for James Mortensen relates to the conditional share award he received in December 2023, which will vest in line with the performance share plan awards (see page 126 for further details).







# Annual report on remuneration

This part of the report explains how the directors' remuneration policy was implemented in 2024. The auditor has reported on certain sections of this report and stated whether, in its opinion, those sections have been properly prepared in accordance with the Companies Act 2006. Those sections subject to audit are clearly indicated.

## DIRECTORS' EMOLUMENTS (AUDITED)

The emoluments of all the directors who served during the year are shown below:

	Year	Salaries/ fees £'000	Taxable benefits <sup>1</sup> £'000	Pension benefits <sup>2</sup> £'000	Total fixed pay £'000	Bonus (cash and deferred shares) <sup>3</sup> £'000	PSP <sup>4</sup> £'000	Other <sup>5</sup> £'000	Total variable pay £'000	Total <sup>14</sup> £'000
<b>Executives</b>										
Michael Ord	2024	574	22	43	639	663	1,001	—	1,664	2,303
	2023	549	21	41	611	781	555	—	1,336	1,947
Andrew Lewis <sup>6</sup>	2024	104	5	7	116	—	532	—	532	648
	2023	396	21	30	447	468	443	—	911	1,358
James Mortensen <sup>7</sup>	2024	370	21	28	419	354	—	656	1,010	1,429
	2023	—	—	—	—	—	—	—	—	—
Sarah Ellard	2024	289	20	22	331	279	537	—	816	1,147
	2023	278	20	21	319	328	316	—	644	963
<b>Non-executives</b>										
Tony Wood <sup>8</sup>	2024	22	—	—	22	—	—	—	—	22
	2023	—	—	—	—	—	—	—	—	—
Carl-Peter Forster <sup>9</sup>	2024	224	—	—	224	—	—	—	—	224
	2023	215	—	—	215	—	—	—	—	215
Alpna Amar <sup>10</sup>	2024	61	—	—	61	—	—	—	—	61
	2023	23	—	—	23	—	—	—	—	23
Laurie Bowen <sup>11</sup>	2024	76	—	—	76	—	—	—	—	76
	2023	74	—	—	74	—	—	—	—	74
Andrew Davies <sup>12</sup>	2024	71	—	—	71	—	—	—	—	71
	2023	69	—	—	69	—	—	—	—	69
Stephen King <sup>13</sup>	2024	71	—	—	71	—	—	—	—	71
	2023	69	—	—	69	—	—	—	—	69
Fiona MacAulay	2024	61	—	—	61	—	—	—	—	61
	2023	59	—	—	59	—	—	—	—	59
<b>Total remuneration</b>	2024	1,923	68	100	2,091	1,296	2,070	656	4,022	6,113
	2023	1,732	62	92	1,886	1,577	1,314	—	2,891	4,777

### NOTES:

- Comprises an annual car allowance of £20,000 for Michael Ord and £19,350 for each of Andrew Lewis (pro-rated), James Mortensen and Sarah Ellard, plus private medical insurance for each of the executive directors.
- The executive directors received a cash supplement of 7.5% of salary in lieu of occupational pension scheme membership in 2023 and 2024.
- 40% of any bonus is delivered as an award of deferred shares.
- The PSP awards granted in December 2021 to the Group Chief Executive, the Group Legal Director & Company Secretary and the previous Chief Financial Officer were based 50% on EPS performance, 30% on TSR performance and 20% on carbon emissions reductions, all measured over the three years ended 31 October 2024. These awards will vest at 97.63% of the maximum and their estimated values have been included in the 2024 emoluments based on the average share price over the three-month period ended 31 October 2024, equating to 383p per share. The share price on the date of grant of the December 2021 awards was 286.5p and therefore the amounts attributable to share price appreciation are £240,766 for the Group Chief Executive, £129,046 for the Group Legal Director & Company Secretary and £127,833 for the previous Chief Financial Officer. The value of accrued dividends on each award has also been included in the 2024 emoluments. The 2023 PSP values have been restated based on the share price on the date of vesting of 335p.
- James Mortensen received compensation and buy-out awards to provide compensation for the remuneration forfeited as a result of him taking up his appointment with the Group. The buy-out awards set out in the table above include compensation for his forfeited Smiths Group plc FY23 annual bonus totalling £156,987, replacement shares for his vested FY20 Smiths Group plc LTIP totalling £186,333 and his replacement FY21 Smiths Group plc LTIP totalling £312,192 which will vest subject to the same performance conditions as the December 2021 PSP awards set out in note 4. Further details of James Mortensen's buy out arrangements can be found later in this report and in the 2023 directors' remuneration report.
- Andrew Lewis retired as Chief Financial Officer and stepped down from the Board on 31 December 2023 but remained an employee until 19 January 2024. His salary shown in the table above includes a payment of £14,592 for accrued holiday which was made on his retirement. The table also includes remuneration for the period from 1 January 2024 to 19 January 2024 totalling £25,982.
- James Mortensen joined the Board on 1 November 2023 as Chief Financial Officer designate and was appointed Chief Financial Officer on 1 January 2024.
- Tony Wood joined the Board as a non-executive director and Chairman-designate on 1 October 2024 and was appointed Chairman on 1 December 2024. His base fee from appointment was set at £265,000 in light of the expected time commitment of the role.
- Carl-Peter Forster retired from the Board and as Chairman on 30 November 2024.

**DIRECTORS' REMUNERATION REPORT** continued**Annual report on remuneration** continued**DIRECTORS' EMOLUMENTS (AUDITED)** continued**NOTES:** continued

10. Alrna Amar was appointed as a non-executive director on 13 June 2023.

11. Laurie Bowen received an additional fee of £10,000 per annum for her appointment as Chair of the Remuneration Committee during the year and an additional fee of £5,000 per annum in respect of her appointment as the non-executive director responsible for employee engagement.

12. Andrew Davies received an additional fee of £10,000 per annum for his appointment as Senior Independent Director during the year.

13. Stephen King received an additional fee of £10,000 per annum for his appointment as Chairman of the Audit Committee during the year.

14. For the purposes of the Companies Act 2006, total remuneration in respect of qualifying services was £2.8m (2023: £2.7m), total gains on exercise of share options was £1.8m (2023: £2.9m), Total contributions to pension schemes was £0.1m (2023: £0.1m) and the number of directors accruing retirement benefits in respect of qualifying services was four (2023: three), for the year ended 31 October 2024.

Amounts shown above in the salaries and fees column relate to base salary in the case of executive directors and fees in the case of non-executive directors.

**BASE SALARY AND BENEFITS PAID DURING THE YEAR (AUDITED)**

Salaries for the Group Chief Executive and the Group Legal Director & Company Secretary were reviewed in November 2023 and increases were approved by the Remuneration Committee effective 1 January 2024. James Mortensen joined the Board on 1 November 2023 and received a salary of £370,000; given his recent appointment no salary increase was awarded effective 1 January 2024.

No salary increase was awarded to Andrew Lewis as he retired from his role as Chief Financial Officer on 31 December 2023.

The salaries of the executive directors during the year were therefore as follows:

Executive	Annual salary from 1 November 2023 to 31 December 2023	Annual salary from 1 January 2024 to 31 October 2024
<b>Michael Ord</b>	£555,000	<b>£577,200</b>
<b>Andrew Lewis</b>	£399,376	<b>N/A</b>
<b>James Mortensen</b>	£370,000	<b>£370,000</b>
<b>Sarah Ellard</b>	£279,978	<b>£291,177</b>

Michael Ord receives a cash allowance of £20,000 per annum in lieu of a company car and the other executive directors receive a cash allowance of £19,350 per annum.

**DETAILS OF VARIABLE PAY OPPORTUNITY IN THE YEAR****Annual bonus (audited)**

80% of the annual bonus opportunity for 2024 was based on financial targets (namely earnings per share and operating cash flow), with 20% based on strategic objectives. No bonus is payable in respect of the strategic objectives unless the Committee is satisfied that this is justified by the Group's underlying performance, including inter alia levels of profitability and cash flow, as well as health and safety performance.

The Committee has consistently set challenging targets for the achievement of maximum bonuses. The financial targets for the 2024 bonus plan, compared with actual performance (adjusted to reflect budgeted foreign exchange rates as per the plan rules), were as follows:

	Weighting (80% of overall bonus)	Performance	Payout (% of element)	Target	Actual	Payout achieved (% of element)
Underlying diluted earnings per share (continuing operations)	<b>50%</b>	Threshold	0%	18.53p	19.55p	51.3%
		Target	50%	19.50p		
		Stretch	100%	21.45p		
Underlying operating cash flow (continuing operations)	<b>50%</b>	Threshold	0%	£86.55m	£97.30m	100%
		Target	50%	£91.10m		
		Stretch	100%	£95.66m		

The strategic objectives set in respect of the 2024 bonus plan were set on a consistent basis across the executive directors, members of the Executive Committee and each of the business unit leaders, focused as appropriate on their respective businesses. Details of the key achievements of the executive directors against the strategic objectives are set out below:

STRATEGIC OBJECTIVE TARGET	PERFORMANCE AGAINST TARGETS
<b>SAFETY</b>	
- Continued delivery of safety improvements to deliver the Group's goal of zero harm.	- Total recordable injury frequency rate of 0.69 (2023: 0.9) against a targeted limit of 1.0.
- Maintain the Group's total recordable injury frequency rate below 1.0.	- Process safety event (level 3 & 2) rate of 2.09 (2023: 2.87) against a targeted limit of 2.0.
- Maintain the Group's process safety event (level 3 & 2) rate below 2.0.	<b>Achieved at 50% of maximum in light of the process safety event rate exceeding the targeted limit.</b>



STRATEGIC OBJECTIVE TARGET	PERFORMANCE AGAINST TARGETS
<b>STRATEGY AND GROWTH</b> <ul style="list-style-type: none"> <li>- Develop continued growth in the US space and missiles markets.</li> <li>- Establish new production facilities at Chemring Energetic Devices.</li> <li>- Deliver sustainable growth in the energetic materials market with continued assessment of organic growth investment options.</li> <li>- Secure grant funding for Chemring Nobel capital expansion programme.</li> <li>- Progress delivery of capital expansion projects in the Energetics businesses.</li> <li>- Deliver organic and inorganic growth plans for Roke. Establish new production and logistics facility.</li> <li>- Deliver US Department of Defense biosecurity Programs of Record.</li> <li>- Progress US growth opportunities.</li> <li>- Improve operational performance of the US Countermeasures businesses.</li> <li>- Reassess future strategic opportunities for the Countermeasures businesses.</li> </ul>	<ul style="list-style-type: none"> <li>- Order intake at Chemring Energetic Devices exceeded \$70m, reflecting continued organic growth in the US space and missiles markets. Potential bolt-on acquisition opportunities reviewed.</li> <li>- Completed purchase of additional facility in Chicago and established production in the new facility.</li> <li>- Chemring Nobel order book increased to £328m. Board approval secured for an additional capacity expansion programme on the site during the year, with the first two expansion projects proceeding in line with schedule and budget.</li> <li>- Secured £90m of grant funding from the EU ASAP programme and the Norwegian Government.</li> <li>- New propellant facility programme at Chemring Energetics UK proceeding in line with schedule and budget.</li> <li>- Delivered double digit revenue and profit growth at Roke and secured planning consent for a new production and logistics facility.</li> <li>- EMBD FRP contract continued to deliver to plan and completed all deliveries under the LRIP contract for the JBTDs programme.</li> <li>- Partially completed prototype development of new biological detection system for non-military application.</li> <li>- Completed review of wider market opportunities for Chemring Australia.</li> <li>- Reviewed future business strategy for Kilgore against site infrastructure plans with work ongoing at year end.</li> </ul> <p><b>Achieved at 70% of maximum in light of the above targets being achieved in full, with the exception of the three ongoing at year end versus the targets set which included: (i) ongoing activities associated with the biological detection business; (ii) improving the operational performance of the US Countermeasures business; and (iii) further development of the business strategy for Kilgore.</b></p>
<b>ENVIRONMENTAL SUSTAINABILITY</b> <ul style="list-style-type: none"> <li>- Reduce Group scope 1 and 2 emissions year-on-year by a minimum of 10%.</li> </ul>	<ul style="list-style-type: none"> <li>- Group scope 1 and 2 emissions reduced by 13% (2023: 9.1%) and independently verified by ERM. Progress delivered against (i) electrification of the business; (ii) energy efficiency improvements; and (iii) renewable energy sourcing.</li> </ul> <p><b>Achieved in full.</b></p>
<b>PEOPLE</b> <ul style="list-style-type: none"> <li>- Ensure all employees have a voice in the business to strengthen our values-based culture by involvement in regular employee sentiment assessment and demonstrate management actions in response to employee feedback.</li> <li>- Implement actions designed to improve gender diversity to support delivery of the Group's goal of increasing the proportion of women in senior roles to no less than 33% by 2027.</li> </ul>	<ul style="list-style-type: none"> <li>- All businesses are utilising employee engagement tools specific to their own business needs and have established feedback mechanisms; some have centralised published action plans and others respond directly when specific feedback topics are raised.</li> <li>- All businesses are now reviewing and reporting on their diversity metrics on a monthly basis, and utilising communication campaigns, training and employee engagement tools to identify local priorities. The percentage of females in senior leadership roles at 31 October 2024 was 31% against the target of 33% by 2027.</li> </ul> <p><b>Achieved at 90% of maximum in light of ongoing activities in relation to employee engagement and diversity at year end.</b></p>
<b>GOVERNANCE</b> <ul style="list-style-type: none"> <li>- Deliver assured corporate governance framework through continued development and deployment of the Code of Conduct, Operational Framework, and Operational Assurance Statement policies, processes, and standards.</li> <li>- Continue to deploy common standards and practices to ensure an increasingly robust Group-wide physical and cyber security posture to safeguard our people, property, information and technology</li> </ul>	<ul style="list-style-type: none"> <li>- Updated Code of Conduct and Operational Framework issued in November 2024. Updated Chemring Cybersecurity Standard issued, including compliance options subject to jurisdictional and customer requirements.</li> <li>- Incident response retainers put in place with external consultants, and tabletop exercises held to assess cyber incident scenarios and test and evolve our response in the event of an incident. Cyber security training provided to employees, together with regular phishing exercises.</li> </ul> <p><b>Achieved at 90% of maximum in light of ongoing activities in relation to further strengthening of cyber-security controls at year end.</b></p>



## DIRECTORS' REMUNERATION REPORT continued

## Annual report on remuneration continued

## DETAILS OF VARIABLE PAY OPPORTUNITY IN THE YEAR continued

## Annual bonus (audited) continued

The Committee assesses performance against the targets using both qualitative and quantitative data. The above reflects a full summary of the targets set and achievements delivered within the bounds of commercial confidentiality. Based on the overall performance against the five strategic targets detailed, the Committee determined that the targets had been met at 80% of the maximum.

Based on the above performance, bonuses are payable to the executive directors under the 2024 bonus plan as follows (audited). Andrew Lewis was not entitled to receive a bonus for 2024.

Executive	Maximum bonus (% of salary)	Bonus paid in respect of financial targets (% of salary)	Bonus paid in respect of strategic objectives (% of salary)	Total bonus payment <sup>1</sup>
<b>Michael Ord</b>	150%	91%	24%	£662,510
<b>James Mortensen</b>	125%	76%	20%	£353,905
<b>Sarah Ellard</b>	125%	76%	20%	£278,511

## NOTE:

1. 40% of bonuses payable are satisfied by way of an award of deferred shares, vesting of which is subject only to continued service over a period of three years.

The Committee reviewed the outcomes in light of broader company and individual performance and the stakeholder experience during the year and was satisfied that no discretion was necessary.

## Deferred bonus shares granted during the year in respect of the 2023 bonus

Details of the deferred bonus share awards granted on 12 December 2023 in relation to the bonus for the year ended 31 October 2023 are set out in the table below. The awards will normally vest subject to continued employment in three years. The Committee agreed that, notwithstanding Andrew Lewis's retirement on 31 December 2023, his award would vest on the normal vesting date on 12 December 2026.

Executive	Date of grant	Shares awarded	Face value of award <sup>1</sup>
<b>Michael Ord</b>	12 December 2023	95,854	£312,484
<b>Andrew Lewis</b>	12 December 2023	57,480	£187,385
<b>Sarah Ellard</b>	12 December 2023	40,296	£131,365

## NOTE:

1. Value based on the closing share price of 326p on the date of grant.

## Performance Share Plan (audited)

## Vesting of December 2021 PSP awards

The PSP awards granted to the executive directors (including the former Chief Financial Officer) on 15 December 2021 were made subject to the following performance conditions:

Measure	Threshold vesting	Full vesting
Total compound EPS growth per annum over the three financial years ended 31 October 2024 (50% of award)	5% p.a. (25% vests)	10% p.a. (100% vests)
Rank of the Company's TSR against the TSR of the members of the comparator group over the three financial years ended 31 October 2024 (30% of award)	Median ranking (25% vests)	Upper quartile ranking (100% vests)
Reduction in scope 1 and scope 2 emissions (market-based) over the three financial years ended 31 October 2024 (20% of award)	15% (25% vests)	25% (100% vests)

The Group's compound EPS growth on continuing operations over the three financial years ended 31 October 2024 was 10.7% p.a. and the part of the award subject to the EPS measure will therefore vest in full on 15 December 2024. The Company's TSR over the same performance period was 27.4% against a median TSR of -3.3% for the comparator group, ranking the Group at 98 out of 353, and therefore 92.1% of the TSR part of the award will vest on 15 December 2024. The Group's scope 1 and scope 2 emissions reduced by 30% over the performance period and therefore the emissions-related part of the award will vest in full on 15 December 2024.

Details of the awards granted to the executive directors and former Chief Financial Officer on 15 December 2021 are provided below (audited):

Executive	Normal vesting date	Number of shares at grant	Number of shares to vest	Number of shares to lapse
<b>Michael Ord</b>	15 December 2024	255,555	249,498	6,057
<b>Andrew Lewis</b>	22 January 2026 <sup>2</sup>	195,386	132,469 <sup>3</sup>	3,216
<b>Sarah Ellard</b>	15 December 2024	136,973	133,726	3,247

Executive	Value of shares to vest	Value of accrued dividends	Total value of awards to vest <sup>1</sup>
<b>Michael Ord</b>	£955,577	£45,907	£1,001,484
<b>Andrew Lewis</b>	£507,356	£24,374	£531,730
<b>Sarah Ellard</b>	£512,171	£24,605	£536,776

**NOTE:**

1. Value estimated based on the average closing share price of 383p over the three-month period ended 31 October 2024.
2. The awards granted to Andrew Lewis will not vest until January 2026 in accordance with the arrangements agreed on his retirement and subject to him not having taken up another full-time executive role prior to the vesting date.
3. The number of shares vesting for Andrew Lewis also reflects pro-rating of his award as he was treated as a good leaver following his retirement.

As detailed in last year's directors' remuneration report, as part of the buy-out arrangements for the incentives the current Chief Financial Officer waived on taking up his appointment with the Group in November 2023, he received a conditional award over 79,665 shares in December 2023, which will vest in line with the vesting of the awards made to the other executive directors in December 2021 under the PSP. Accordingly, this award will also vest at 97.63% of the maximum, equating to 77,776 shares vesting on 15 December 2024. The value of the award is shown below (audited):

Executive	Value of shares to vest	Value of accrued dividends	Total value of awards to vest <sup>1</sup>
<b>James Mortensen</b>	£297,882	£14,310	£312,192

**NOTE:**

1. Value estimated based on the average closing share price of 383p over the three-month period ended 31 October 2024.

**PSP awards granted in the year**

The following conditional awards of shares were granted to the executive directors under the PSP during the year:

Executive	Date of grant	Value of award	Closing share price on date of grant	Number of conditional shares awarded	Face value	% that vests at threshold	Vesting determined by
<b>Michael Ord</b>	13 December 2023	150% of salary	333p	255,368	£850,375	25%	50% EPS growth, 30% relative TSR performance and 20% ESG performance, as detailed below
<b>James Mortensen</b>	13 December 2023	150% of salary	333p	170,245	£566,916	25%	
<b>Sarah Ellard</b>	13 December 2023	150% of salary	333p	128,824	£428,984	25%	

The performance conditions applying to the awards made in December 2023 will be measured over three financial years commencing 1 November 2023 and are weighted 50% EPS growth, 30% relative TSR performance and 20% ESG performance.

The EPS performance condition will be measured as follows:

Total compound EPS growth over the three-year performance period	% of EPS part that may vest
Less than 5% p.a.	0%
5% p.a.	25%
Between 5% p.a. and 10% p.a.	On a straight-line basis between 25% and 100%
10% p.a. or more	100%

**NOTE:**

1. Earnings per share is calculated on an underlying, fully diluted and normalised basis, as specified by the Committee prior to grant.

The TSR performance condition will be measured as follows:

Rank of the Company's TSR against the TSR of the FTSE All-Share (excluding investment trusts) over the three-year performance period	% of TSR part that may vest
Below median	0%
Median	25%
Between median and upper quartile	On a straight-line basis between 25% and 100%
Upper quartile or above	100%

The ESG performance condition will be measured as follows:

Reduction in scope 1 and scope 2 emissions (market-based) over the three-year performance period	% of ESG part that may vest
Less than 15%	0%
15%	25%
Between 15% and 25%	On a straight-line basis between 25% and 100%
25% or more	100%

Any shares that vest in respect of the December 2023 awards will be subject to a two-year holding period (after allowing for the sale of sufficient shares to meet the tax and national insurance liability arising on vesting).





## DIRECTORS' REMUNERATION REPORT continued

### Annual report on remuneration continued

#### DETAILS OF VARIABLE PAY OPPORTUNITY IN THE YEAR continued

##### Performance Share Plan (audited) continued

##### Buy-out awards granted in the year to James Mortensen

The table below sets out the buy-out awards granted during the year to James Mortensen to provide compensation for the remuneration he forfeited as a result of him taking up the role of Chief Financial Officer with the Group. Further details of the buy-out arrangements can be found in the 2023 directors' remuneration report.

Buy-out award	Date of grant	Closing share price on date of grant	Number of conditional shares awarded	Face value	% that vests at threshold
FY20 LTIP1	13 December 2023	333p	55,956	£186,333	N/A <sup>1</sup>
FY21 LTIP2	13 December 2023	333p	79,665	£265,284	25%
FY22 LTIP3	13 December 2023	333p	79,665	£265,284	25%

#### NOTES:

1. The quantum of the FY20 LTIP buy-out award was determined by the applicable Smiths Group plc performance condition achieved over the relevant performance period.
2. The FY21 LTIP buy-out award will vest subject to the achievement of the performance conditions for the Chemring PSP award granted in December 2021 as set out earlier in this report.
3. The FY22 LTIP buy-out award will vest subject to the achievement of the performance conditions for the Chemring PSP award granted in December 2022 based on performance to 31 October 2025. Details of these performance conditions are set out later in this report.

#### PENSION (AUDITED)

The following table sets out the pension benefits earned by the executive directors during the year. Only Sarah Ellard previously accrued benefits during her former membership of the Chemring Group Staff Pension Scheme.

Executive	Cash in lieu of pension contributions £'000	Total benefit accrued at 31 October 2023		Transfer value of accrued benefit at 31 October 2023 £'000	Total benefit accrued at 31 October 2024		Transfer value of accrued benefit at 31 October 2024 £'000	Increase in transfer value during year (less members' contributions) £'000	Value of benefit for single figure £'000
		Pension £'000 p.a.	Cash £'000		Pension £'000 p.a.	Cash £'000			
Michael Ord	43	—	—	—	—	—	—	—	43
Andrew Lewis	7	—	—	—	—	—	—	—	7
James Mortensen	28	—	—	—	—	—	—	—	28
Sarah Ellard	22	24	72	461	24	72	461	—	22

#### NOTES:

1. A cash supplement of 7.5% of base salary is paid to each of the executive directors in lieu of pension contributions.
2. Transfer values represent liabilities of the applicable scheme, and do not represent sums paid to individuals.
3. Transfer values have been calculated in accordance with the Occupational Pension Scheme (Transfer Value) Regulations 1996.
4. Sarah Ellard left pensionable service on 6 April 2010 and therefore has not accrued additional pension over the year. The accrued benefits shown are the benefits at the date of exit.
5. The scheme provided pension at a rate of 1/80th of final pensionable salary plus a cash lump sum of 3/80ths for each year of membership. Final pensionable salary was capped at the HMRC notional earnings cap, and the scheme assumed a normal retirement age of 65. Early retirement is permissible from age 55 but accrued benefits are reduced accordingly using the early retirement factors in force at the date of early retirement.

#### PAYMENTS TO PAST DIRECTORS AND PAYMENTS FOR LOSS OF OFFICE

As detailed in last year's directors' remuneration report, Andrew Lewis stepped down as Chief Financial Officer and as a director of the Company on 31 December 2023 but remained an employee of the Company until 19 January 2024. Andrew continued to receive salary of £23,041, benefits of £1,212 and pension of £1,728 for the period from 1 January 2024 to 19 January 2024, when he retired and ceased employment. Andrew was not entitled to receive any bonus for 2024 but retained his 2021 PSP award, pro-rated. Details of the estimated vesting value is set out in this report.



# Additional statutory information on remuneration arrangements

## DIRECTORS' SHAREHOLDINGS (AUDITED)

Shareholding guidelines apply to executive directors during employment and post cessation of employment. Executive directors are expected to build up and maintain a shareholding in the Company equivalent to 200% of base salary, by retaining at least 50% of after-tax vested PSP awards until such time as the guidelines have been met. The executive directors are also required to hold shares to the value of the shareholding guideline (i.e. 200% of base salary or their existing shareholding if lower at the time) for two years post-cessation of employment. The shareholding will be assessed at the time of stepping down from the Board.

The interests of the directors in the ordinary shares of the Company at 31 October 2024, or at the date of cessation of their appointment if earlier, are shown below. All are beneficial holdings.

Executive	Legally owned (number of shares)	Value of legally owned shares as % of salary <sup>1</sup>	Guideline met	Unvested and subject to performance conditions under the PSP				Deferred bonus share awards	Sharesave options (unvested)
				Dec 2021 award	Dec 2022 award	Dec 2023 award	Total at 31 October 2024		
Michael Ord	329,829	203%	Yes	255,555	255,737	255,368	766,660	279,854	7,894
Andrew Lewis <sup>2</sup>	373,471	332%	Yes	135,685	67,550	—	203,235	169,646	—
James Mortensen	29,524	28%	No	79,665 <sup>3</sup>	79,665 <sup>3</sup>	170,245	329,575	—	5,983
Sarah Ellard	171,000	208%	Yes	136,973	131,137	128,824	396,934	118,929	7,894
Tony Wood	—	—	—	—	—	—	—	—	—
Carl-Peter Forster	30,000	—	—	—	—	—	—	—	—
Alpna Amar	—	—	—	—	—	—	—	—	—
Laurie Bowen	15,000	—	—	—	—	—	—	—	—
Andrew Davies	—	—	—	—	—	—	—	—	—
Stephen King	130,500	—	—	—	—	—	—	—	—
Fiona MacAulay	—	—	—	—	—	—	—	—	—

### NOTE:

- Based on the number of shares legally owned, prevailing base salary and share price of 355p at 31 October 2024.
- Andrew Lewis stepped down from the Board and his role as Chief Financial Officer on 31 December 2023. The table shows Andrew Lewis' shareholdings as at this date. The December 2021 and December 2022 PSP awards have been pro-rated to reflect his retirement.
- These awards were made to James Mortensen in December 2023 as part of the buy-out of his previous incentive arrangements, as detailed above.

The directors' share interests at 31 October 2024 include shares held by the directors' connected persons, if any, as required by the Regulations. There have been no changes to the directors' interests in shares since 31 October 2024.

## OUTSTANDING PSP AWARDS (AUDITED)

Executive	At 1 November 2023	Number of shares under award				Normal date of vesting	Closing share price on date of grant (p)
		Awarded during the year	Lapsed during the year	Vested during the year	At 31 October 2024		
Michael Ord	220,375	—	(62,036)	(158,339)	—	16 December 2023	300.0
	255,555	—	—	—	255,555 <sup>1</sup>	15 December 2024	286.5
	255,737	—	—	—	255,737	14 December 2025	307.0
	—	255,368	—	—	255,368	13 December 2026	333.0
	731,667	255,368	(62,036)	(158,339)	766,660		
Andrew Lewis	175,848	—	(49,502)	(126,346)	—	16 December 2023	300.0
	195,386	—	(59,701) <sup>2</sup>	—	135,685 <sup>1</sup>	15 December 2024	286.5
	187,061	—	(119,511) <sup>2</sup>	—	67,550	14 December 2025	307.0
	558,295	—	(228,714)	(126,346)	203,235		
James Mortensen	—	55,956 <sup>3</sup>	—	(55,956)	—	13 December 2023	333.0
	—	79,665 <sup>3</sup>	—	—	79,665 <sup>1</sup>	15 December 2024	333.0
	—	79,665 <sup>3</sup>	—	—	79,665	14 December 2025	333.0
	—	170,245	—	—	170,245	13 December 2026	333.0
	—	385,531	—	(55,956)	329,575		
Sarah Ellard	125,670	—	(35,377)	(90,293)	—	16 December 2023	300.0
	136,973	—	—	—	136,973 <sup>1</sup>	15 December 2024	286.5
	131,137	—	—	—	131,137	14 December 2025	307.0
	—	128,824	—	—	128,824	13 December 2026	333.0
	393,780	128,824	(35,377)	(90,293)	396,934		

### NOTE:

- As explained above, these awards will vest at 97.63% of the maximum on 15 December 2024.
- These awards were pro-rated on Andrew Lewis' retirement.
- These awards were made to James Mortensen in December 2023 as part of the buy-out of his previous incentive arrangements, as detailed earlier in this report.



## DIRECTORS' REMUNERATION REPORT continued

## Additional statutory information on remuneration arrangements continued

## OUTSTANDING PSP AWARDS (AUDITED) continued

## Performance conditions for outstanding PSP awards

	Measure	Director	Executive directors' award values	Threshold vesting	Full vesting
Awards made on 15 December 2021	Total compound EPS growth per annum over the three financial years ended 31 October 2024 (50% of award)	Michael Ord James Mortensen <sup>1</sup> Andrew Lewis Sarah Ellard	150% of salary <sup>2</sup>	5% p.a. (25% vests)	10% p.a. (100% vests)
	Rank of the Company's TSR against the TSR of the FTSE All-Share (excluding investment trusts) over the three financial years ended 31 October 2024 (30% of award)			Median ranking (25% vests)	Upper quartile ranking (100% vests)
	Reduction in scope 1 and scope 2 emissions (market-based) over the three financial years ended 31 October 2024 (20% of award)			15% (25% vests)	25% (100% vesting)
Awards made on 14 December 2022	Total compound EPS growth per annum over the three financial years ended 31 October 2025 (50% of award)	Michael Ord James Mortensen <sup>1</sup> Andrew Lewis Sarah Ellard	150% of salary <sup>2</sup>	5% p.a. (25% vests)	10% p.a. (100% vests)
	Rank of the Company's TSR against the TSR of the FTSE All-Share (excluding investment trusts) over the three financial years ended 31 October 2025 (30% of award)			Median ranking (25% vests)	Upper quartile ranking (100% vests)
	Reduction in scope 1 and scope 2 emissions (market-based) over the three financial years ended 31 October 2025 (20% of award)			15% (25% vests)	25% (100% vesting)
Awards made on 13 December 2023	Total compound EPS growth per annum over the three financial years ended 31 October 2026 (50% of award)	Michael Ord James Mortensen Sarah Ellard	150% of salary	5% p.a. (25% vests)	10% p.a. (100% vests)
	Rank of the Company's TSR against the TSR of the FTSE All-Share (excluding investment trusts) over the three financial years ended 31 October 2026 (30% of award)			Median ranking (25% vests)	Upper quartile ranking (100% vests)
	Reduction in scope 1 and scope 2 emissions (market-based) over the three financial years ended 31 October 2026 (20% of award)			15% (25% vests)	25% (100% vesting)

## NOTE:

1. These awards were made to James Mortensen in December 2023 as part of the buy-out of his previous incentive arrangements, as detailed earlier in this report.
2. James Mortensen's buy-out awards to align with the December 2022 and December 2023 PSP awards were calculated on a different basis, as detailed earlier in this report.



## OUTSTANDING DEFERRED BONUS SHARE AWARDS (AUDITED)

Executive	Number of shares under award					Date of vesting	Closing share price on date of grant (p)
	At 1 November 2023	Awarded during the year	Lapsed during the year	Vested during the year	At 31 October 2024		
Michael Ord	71,989	—	—	(71,989)	—	15 December 2023	300.0
	83,481	—	—	—	83,481	14 December 2024	283.5
	100,249	—	—	—	100,249	13 December 2025	305.0
	—	95,854	—	—	95,854	12 December 2026	326.0
	<b>255,719</b>	<b>95,854</b>	<b>—</b>	<b>(71,989)</b>	<b>279,584</b>		
Andrew Lewis	45,954	—	—	(45,954)	—	15 December 23	300.0
	51,060	—	—	—	51,060	14 December 24	283.5
	61,106	—	—	—	61,106	13 December 25	305.0
	—	57,480	—	—	57,480	12 December 26	326.0
	<b>158,120</b>	<b>57,480</b>	<b>—</b>	<b>(45,954)</b>	<b>169,646</b>		
Sarah Ellard	29,557	—	—	(29,557)	—	15 December 2023	300.0
	35,795	—	—	—	35,795	14 December 2024	283.5
	42,838	—	—	—	42,838	13 December 2025	305.0
	—	40,296	—	—	40,296	12 December 2026	326.0
	<b>108,190</b>	<b>40,296</b>	<b>—</b>	<b>(29,557)</b>	<b>118,929</b>		

## OUTSTANDING SHARESAVE OPTIONS (AUDITED)

Executive	Number of shares under award					Exercise price	Exercise date
	At 1 November 2023	Awarded during the year	Lapsed during the year	Vested during the year	At 31 October 2024		
Michael Ord	7,894	—	—	—	7,894	228p	1 October 2026 – 31 March 2027
James Mortensen	—	5,983	—	—	5,983	310p	1 October 2027 – 31 March 2028
Sarah Ellard	7,894	—	—	—	7,894	228p	1 October 2026 – 31 March 2027



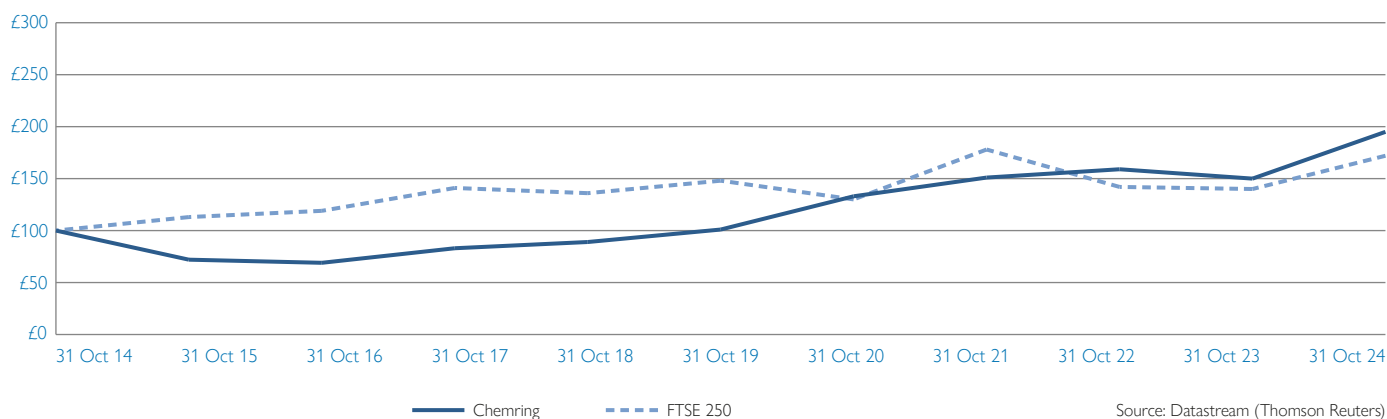
## DIRECTORS' REMUNERATION REPORT continued

## Additional statutory information on remuneration arrangements continued

## TOTAL SHAREHOLDER RETURN PERFORMANCE GRAPH

The following graph shows the Company's cumulative TSR over the last ten financial years relative to the FTSE 250 Index. The FTSE 250 has been selected by the Committee for this comparison because it provides the most appropriate measure of performance of listed companies of a similar size to the Company.

The graph shows the value, by 31 October 2024, of £100 invested in Chemring Group PLC on 31 October 2014 compared with the value of £100 invested in the FTSE 250. The other points are the values at intervening financial year ends.



## CHIEF EXECUTIVE'S REMUNERATION TABLE

The total remuneration figures for the Group Chief Executive during each of the last ten financial years are shown in the table below. Michael Ord replaced Michael Flowers as Group Chief Executive on 1 July 2018.

The total remuneration figure for 2018 includes a full year's salary and benefits for Michael Flowers.

The total remuneration figure for each year includes the annual bonus based on that year's performance and, where applicable, vested PSP awards based on the three-year performance period ending in the relevant year. The annual bonus payout and PSP award vesting level as a percentage of the maximum opportunity are also shown for each of these years.

	Michael Flowers		Michael Flowers/ Michael Ord		Michael Ord					
	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Total remuneration (£'000)	507	855	831	969	1,021	1,045	3,583	2,313	1,947	2,303
Annual bonus (% of maximum)	0%	68.3%	59.5%	0%	98%	98%	98%/	98%	93.84%	76.7%
PSP awards vesting (% of maximum)	0%	0%	0%	35%	0%	0%	86.4%/100%	100%	71.85%	97.63%





## PERCENTAGE CHANGE IN THE DIRECTORS' REMUNERATION

The table below shows the annual percentage change in the total remuneration (excluding the value of any PSP awards and pension benefits receivable in the year) for each of the directors between the 2019 and 2024 financial years, compared to that of the average for all eligible employees of the Group.

	2019 vs 2020			2020 vs 2021			2021 vs 2022			2022 vs 2023			2023 vs 2024		
	Salary	Benefits	Annual bonus	Salary	Benefits	Annual bonus	Salary	Benefits	Annual bonus	Salary	Benefits	Annual bonus	Salary	Benefits	Annual bonus
<b>Group Chief Executive</b>	2.3%	0%	2.5%	8.2%	6.8%	6.8%	8.0%	0%	29.1%	6.8%	0%	2.2%	4.6%	4.8%	(15.1)%
<b>Chief Financial Officer<sup>1</sup></b>	2.6%	0%	2.7%	4.6%	4.5%	4.5%	3.6%	0%	28.7%	4.5%	5%	0.4%	N/A	N/A	N/A
<b>Group Legal Director &amp; Company Secretary<sup>2</sup></b>	2.3%	0%	2.8%	14.7% <sup>1</sup>	4.9%	4.9%	2.7%	0%	28.7%	4.9%	0%	0.3%	4.0%	2.4%	(14.9)%
<b>Tony Wood<sup>3</sup></b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Carl-Peter Forster</b>	0%	N/A	N/A	0%	4.9%	4.9%	1.0%	N/A	N/A	4.9%	N/A	N/A	4.2%	N/A	N/A
<b>Alpna Amar<sup>4</sup></b>	N/A	N/A	N/A	N/A	N/A	N/A	1.0%	N/A	N/A	N/A	N/A	N/A	165%	N/A	N/A
<b>Laurie Bowen<sup>5</sup></b>	N/A	N/A	N/A	11.3% <sup>3</sup>	4.2%	4.2%	2.9%	N/A	N/A	4.2%	N/A	N/A	2.7%	N/A	N/A
<b>Andrew Davies<sup>6</sup></b>	(12.6%)	N/A	N/A	8.6% <sup>4</sup>	4.5%	4.5%	4.8%	N/A	N/A	4.5%	N/A	N/A	2.9%	N/A	N/A
<b>Stephen King</b>	0%	N/A	N/A	0%	4.5%	4.5%	1.5%	N/A	N/A	4.5%	N/A	N/A	2.9%	N/A	N/A
<b>Fiona MacAulay<sup>7</sup></b>	N/A	N/A	N/A	N/A <sup>5</sup>	5.4%	5.4%	1.8%	N/A	N/A	5.4%	N/A	N/A	3.4%	N/A	N/A
<b>Average of other employees</b>	4.0%	0%	3.0%	5.2%	5.2%	34.8%	3.2%	(18.0%)	5.0%	3.9%	(0.7%)	(6.9%)	3.8%	(7.5)%	9.6%

### NOTES:

1. The Chief Financial Officer's remuneration for 2024 comprises remuneration for Andrew Lewis until 31 December 2023 and remuneration for James Mortensen from 1 January 2024.
2. The Group Legal Director & Company Secretary's salary was increased pro-rata to reflect her resumption of full-time working hours with effect from 1 November 2020.
3. Tony Wood was appointed as a non-executive director on 1 October 2024.
4. Alpna Amar was appointed as a non-executive director on 13 June 2023.
5. The percentage increase in the fees paid to Laurie Bowen between 2020 and 2021 reflects the additional fees paid to her following her appointment as Chair of the Remuneration Committee on 4 March 2020 and the fee paid to her as the non-executive director with responsibility for employee engagement from 1 January 2021.
6. The percentage increase in the fees paid to Andrew Davies between 2020 and 2021 reflects the additional fees paid to him as Senior Independent Director from 1 January 2021.
7. Fiona MacAulay was appointed as a non-executive director on 3 June 2020. Non-executive directors' fees did not increase between 2020 and 2021.



## DIRECTORS' REMUNERATION REPORT continued

## Additional statutory information on remuneration arrangements continued

## CHIEF EXECUTIVE'S PAY RATIO

The table below shows how the Group Chief Executive's single remuneration figure from the 2024 financial year compares to equivalent single figure remuneration for full-time equivalent UK employees ranked at the 25th, 50th and 75th percentile.

The Committee considered the calculation approaches as set out in the Regulations and elected to use Method A, as it is considered to be the most appropriate and robust way to calculate the ratio. The calculation was based on:

- actual base salary, benefits, bonus and long-term incentive awards for the year ended 31 October 2024 for UK employees as at 31 October 2024, with salaries for part-time employees annualised on a full-time equivalent basis to allow equal comparisons; and
- employer pension contributions.

No components of pay and benefits were omitted for the purpose of the calculations; however, joiners and leavers during the year were excluded from the calculations.

Year	Methodology	Total remuneration		
		25 <sup>th</sup> percentile (lower quartile) pay ratio	50 <sup>th</sup> percentile (median) pay ratio	75 <sup>th</sup> percentile (upper quartile) pay ratio
2024	Method A	62.3	42.8	27.7
2023	Method A	57.1	37.2	23.7
2022	Method A	68.3	46.8	29.7
2021	Method A	116.3	76.1	49.2
2020	Method A	39.9	25.0	15.8

Year	Salary			Total remuneration		
	25 <sup>th</sup> percentile	50 <sup>th</sup> percentile	75 <sup>th</sup> percentile	25 <sup>th</sup> percentile	50 <sup>th</sup> percentile	75 <sup>th</sup> percentile
2024	£33,000	£47,300	£71,700	£36,980	£53,766	£83,187

The Committee is mindful that pay ratios, however calculated, are a useful reference point but cannot be considered in isolation. Any movement in ratios will be reviewed by the Committee to understand the causes and longer-term trends will be monitored.

The pay ratios increased in 2021 as a result of, exceptionally, the inclusion of two PSP awards vesting in relation to the year. One of the PSP awards related to a one-off award granted to the Group Chief Executive on appointment, which vested at 86.4% of maximum, and the second PSP award related to the normal PSP grant, which vested at 100% of maximum. For 2022, there was only one PSP award included in the Group Chief Executive's total single figure of remuneration, which vested in full. Whilst the Group Chief Executive also received a salary increase for 2022 and an increase to his annual bonus entitlement, in 2022 the pay ratio decreased primarily as a result of the total PSP value reducing during the year. The pay ratio reduced further in 2023 as the Group Chief Executive's PSP award did not vest in full and his overall remuneration in 2023 was lower than in 2022. In 2024, the pay ratio increased principally as the result of the Group Chief Executive's PSP award vesting at a higher level.

The reward policies and practices across the Group are considered by the Committee in the design process and implementation of the remuneration policy each year for the executive directors. On this basis, the Committee is satisfied that the median pay ratio is consistent with the pay, reward and progression policies against all employees.

## RELATIVE IMPORTANCE OF SPEND ON PAY

The following table shows the Company's actual spend on pay (for all employees) relative to dividends and retained profits:

	2024 £m	2023 £m	% change
Staff costs	196.1	176.6	+11%
Dividends	19.6	17.3	+13%
Retained profits	52.3	62.9	-17%

The dividends figures relate to amounts payable in respect of the relevant financial year.

Retained profits reflect the underlying success of the Group and the profit generated in the relevant financial year.



## ADVISERS TO THE REMUNERATION COMMITTEE

Korn Ferry were appointed by the Remuneration Committee to advise on remuneration and incentive plan related matters from 4 March 2021. Korn Ferry is a signatory to the Remuneration Consultants' Group Code of Conduct and the Committee considers Korn Ferry's advice to be independent and objective. The Committee has reviewed the nature of the services provided by Korn Ferry and is satisfied that no conflict of interest exists in the provision of these services. The Company received no other services from Korn Ferry during the year. The total fees paid to Korn Ferry in respect of the services to the Committee during the year were £58,455 (2023: £59,865). Fees were determined based on the scope and nature of the projects undertaken for the Committee.

The Committee reviews the performance and independence of its advisers on an annual basis.

The Committee consults internally with the Group Chief Executive (Michael Ord) and the Group Legal Director & Company Secretary (Sarah Ellard). No executive is involved in discussions on their own pay.

## SHAREHOLDER VOTING ON THE DIRECTORS' REMUNERATION POLICY AT THE 2022 ANNUAL GENERAL MEETING

The directors' remuneration policy is subject to a binding vote by shareholders every three years. At the Annual General Meeting held on 3 March 2022, the resolution relating to the directors' remuneration policy received the following votes from shareholders:

For	231,710,461	98.45%
Against	3,654,614	1.55%
<b>Total votes cast (for and against excluding withheld votes)</b>	<b>235,365,075</b>	<b>100.0%</b>
Votes withheld <sup>1</sup>	7,154,172	
<b>Total votes cast (including withheld votes)</b>	<b>242,519,247</b>	

### NOTE:

1. A vote withheld is not a vote in law and is not counted in the calculation of the proportion of votes cast "for" and "against" a resolution.

## SHAREHOLDER VOTING ON THE DIRECTORS' REMUNERATION REPORT AT THE 2024 ANNUAL GENERAL MEETING

The directors' remuneration report is subject to an advisory vote by shareholders every year. At the Annual General Meeting held on 23 February 2024, the resolution relating to the directors' remuneration report received the following votes from shareholders:

For	220,969,073	97.22%
Against	6,315,794	2.78%
<b>Total votes cast (for and against excluding withheld votes)</b>	<b>227,284,867</b>	<b>100.0%</b>
Votes withheld <sup>1</sup>	20,573	
<b>Total votes cast (including withheld votes)</b>	<b>227,305,440</b>	

### NOTE:

1. A vote withheld is not a vote in law and is not counted in the calculation of the proportion of votes cast "for" and "against" a resolution.

## APPROVAL OF THE DIRECTORS' REMUNERATION REPORT

The directors' remuneration report was approved by the Board on 17 December 2024.

Signed on behalf of the Board

**Laurie Bowen**

Chair of the Remuneration Committee

17 December 2024

**DIRECTORS' REPORT**

The directors present their annual report, together with the audited financial statements of the Group and the Company, for the year ended 31 October 2024.

The following sections of the annual report are incorporated into the directors' report by reference:

- strategic report on pages 1 to 84;
- corporate governance report on pages 90 to 99;
- Audit Committee report on pages 100 to 103;
- directors' remuneration report on pages 106 to 133; and
- notes to the Group financial statements as detailed in this section.

**BUSINESS REVIEW**

The strategic report on pages 1 to 84 provides a review of the Group's business development, performance and position during and at the end of the financial year, its strategy and likely future developments, key performance indicators, and a description of the principal risks and uncertainties facing the business. Further information regarding financial risk management policies and financial instruments is provided in note 23 to the Group financial statements.

There have been no significant events since the balance sheet date.

**RESULTS AND DIVIDENDS**

The profit attributable to the Group's shareholders for the year was £39.5m (2023: £5.4m).

The directors are recommending the payment of a final dividend of 5.2p per ordinary share which, together with the interim dividend of 2.6p per share paid in September 2024, gives a total for the year of 7.8p (2023: 6.9p). The final dividend is subject to approval by shareholders at the Annual General Meeting on 26 February 2025 and has not therefore been included as a liability in these financial statements.

**DIRECTORS AND THEIR INTERESTS**

The current directors are shown on pages 88 and 89. In addition, Andrew Lewis served as a director until 31 December 2023. Carl-Peter Forster also served as a director during the year and retired from the Board on 30 November 2024.

In accordance with the Company's Articles of Association, all directors are required to submit themselves for election or re-election at every Annual General Meeting. With the exception of Andrew Davies, who will be retiring as a non-executive director on 31 January 2025, all directors will therefore be seeking election or re-election at the Annual General Meeting.

Details of the service contracts entered into between the Company and the executive directors are set out in the directors' remuneration report on page 115. The non-executive directors do not have service contracts with the Company.

The Company maintains directors' and officers' liability insurance in respect of legal action against its directors and officers. The Company has also granted indemnities to its directors to the extent provided by law (which are qualifying third party indemnities within the meaning of section 236 of the Companies Act 2006). Neither the insurance nor the indemnities provide cover in the event of proven fraudulent or dishonest activity.

Other than in relation to their service contracts, none of the directors is or was beneficially interested in any significant contract to which the Group was a party during the year ended 31 October 2024.

Information required in relation to directors' shareholdings is set out in the directors' remuneration report on page 127.

**EMPLOYEES AND EMPLOYEE CONSULTATION**

Details of the Group's employment policies and employee consultation practices are set out on pages 61 to 65.

The Group makes no distinction between disabled and able-bodied persons in recruitment, employment and training, career development and promotion, provided that any disability does not make the particular employment impractical

or impossible under the strict health and safety legislation under which the Group's businesses operate.

**POLITICAL DONATIONS**

No political donations were made during the year (2023: £nil).

**CONTRACTUAL ARRANGEMENTS**

The Group contracts with a wide range of customers across the globe, including governments, armed forces, prime contractors and OEMs. The UK and US Governments are the largest customers and procure the Group's products under a substantial number of separate contracts placed with individual Group businesses.

The Group's businesses utilise many suppliers across the world and arrangements are in place, wherever possible, to ensure that businesses are not reliant on single suppliers for key raw materials or components.

**RESEARCH AND DEVELOPMENT**

The Group's research and development expenditure for the year is detailed in the financial review on page 70.

**CHANGE OF CONTROL**

Individual Group businesses have contractual arrangements with third parties, entered into in the normal course of business, which may be amended or may terminate on a change of control of the relevant business, or in certain circumstances, following a takeover of the Group.

The most significant agreements entered into by the Group which contain provisions granting the counterparties certain rights in the event of a change of control of the Company are the agreements relating to the revolving credit facility, the new term loan facility supported by UK Export Finance, overdraft facilities and foreign exchange lines entered into with the Group's banks. These agreements provide that, in the event of a change of a control, the Company must repay all outstanding borrowings, together with accrued interest and other sums owing under each agreement.

**SHARE CAPITAL AND SHAREHOLDER RIGHTS****General**

The Company's share capital consists of ordinary shares of 1p each and 7% cumulative preference shares of £1 each, which are listed on the London Stock Exchange. Full details of the movements in the issued share capital of the Company during the financial year are provided in note 26 to the Group financial statements.

Details of the rights attaching to shares are set out in the Articles of Association (the "Articles"). All holders of ordinary shares are entitled to attend, speak and vote at any general meeting of the Company, and to appoint a proxy or proxies to exercise these rights. At a general meeting, every shareholder present in person, by proxy or (in the case of a corporate member) by corporate representative has one vote on a show of hands, and on a poll has one vote for every share held. The Notice of Annual General Meeting specifies deadlines for exercising voting rights and appointing a proxy or proxies to vote in respect of the resolutions to be passed at the Annual General Meeting.

A member or members representing at least 5% of the ordinary share capital of the Company may require the directors to convene a general meeting.

A member or members representing at least 5% of the ordinary share capital of the Company or at least 100 members with the right to vote at an Annual General Meeting and each holding, on average, at least £100 of paid-up share capital may request a resolution to be put before an Annual General Meeting.

There are no restrictions on the transfer of ordinary shares in the capital of the Company, other than certain restrictions which may from time to time be imposed by law. In accordance with the Market Abuse Regulation, certain employees are required to seek the approval of the Company to deal in its shares.

The cumulative preference shares carry an entitlement to a dividend at the rate of 7p per share per annum, payable in equal instalments on 30 April and 31 October each year. Holders of preference shares have the right on a winding-up to receive, in priority to any other classes of shares, the sum of £1 per share together with any arrears of dividends. There are no restrictions on the transfer of the cumulative preference shares.



The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and/or voting rights.

The Company's Articles may only be amended by special resolution at a general meeting of its shareholders.

### Issue of shares

Under the provisions of section 551 of the Companies Act 2006 (the "Act"), the Board is prevented from exercising its powers under the Articles to allot shares without an authority contained either in the Articles or in a resolution of the shareholders passed in general meeting. The authority, when given, can last for a maximum period of five years, but the Board proposes that renewal should be sought at each Annual General Meeting. An ordinary resolution, seeking such authority, will be proposed at the forthcoming Annual General Meeting.

Section 561 of the Act requires that an allotment of shares for cash may not be made unless the shares are first offered to existing shareholders on a pre-emptive basis in accordance with the terms of the Act.

In accordance with general practice, to ensure that small issues of shares can be made without the necessity of convening a general meeting, the Board proposes that advantage be taken of the provisions of sections 570 and 573 of the Act to disapply the Act's pre-emptive requirements. Accordingly, a special resolution will be proposed at the forthcoming Annual General Meeting which, if passed, will have the effect of granting the directors the power to allot not more than 20% of the issued ordinary share capital free of the requirements of section 561 of the Act. No issue of these shares will be made which would effectively alter the control of the Company without the prior approval of the shareholders in general meeting.

### Purchase of own shares

On 1 August 2023, the Company launched a share buyback programme for the buyback of up to £50m of the Company's ordinary shares over a one-year period. In June 2024, with £37m having been returned to shareholders, the Company announced the extension of the buyback programme to 17 December 2024. In total, 8,617,243 ordinary shares were purchased by the Company during the year. All purchased shares were cancelled. The Company did not hold any shares in treasury at 31 October 2024 (2023: nil).

A special resolution will be proposed at the forthcoming Annual General Meeting to renew the Company's authority to purchase its own shares in the market up to a limit of 10% of its issued ordinary share capital. The maximum and minimum prices will be stated in the resolution at the date of the Annual General Meeting. The directors believe that it is advantageous for the Company to have this flexibility to make market purchases of its own shares. The directors of the Company may consider holding repurchased shares pursuant to the authority conferred by this resolution as treasury shares. This will give the Company the ability to reissue treasury shares quickly and cost effectively, and will provide the Company with additional flexibility in the management of its capital base. Any issues of treasury shares for the purposes of the Company's employee share schemes will be made within the 10% dilution limit set out in The Investment Association's Principles of Remuneration. The directors will only exercise this authority if they are satisfied that a purchase would result in an increase in expected earnings per share and would be in the interests of shareholders generally.

### SUBSTANTIAL SHAREHOLDINGS

At 16 December 2024, the following substantial holdings in the ordinary share capital of the Company had been notified to the Company in accordance with Chapter 5 of the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority. It should be noted that these holdings may have changed since the Company was notified; however, notification of any change is not required until a notifiable threshold is crossed.

Name	% interest
Invesco Limited	8.1
BlackRock, Inc.	7.9
Old Mutual Asset Managers	5.1
Ameriprise Financial, Inc. and its group	5.0
J O Hambro Capital Management Limited	5.0
Royal London Asset Management Limited	5.0
FIL Limited	Below 5.0
Jupiter Fund Management PLC	Below 5.0
Schroders Plc	Below 5.0
AXA Investment Managers S.A.	4.9
Aviva PLC and its subsidiaries	4.9
J P Morgan Chase & Co	4.9
Neptune Investment Management Limited	4.8
Prudential Plc	4.8
Investec Asset Management Limited	4.8
Standard Life Investments Limited	4.8
BT Pension Scheme Trustees Limited as Trustee of the BT Pension Scheme	3.8
Norges Bank	2.9

### EMPLOYEE SHARE SCHEMES AND PLANS

#### Approach to share ownership

The Group actively encourages its employees to share in its future success and therefore operates share-based arrangements to provide incentives and rewards to employees.

The Group operated two share-based incentive plans during the year, as set out below. Further details of awards and vesting are provided in note 28 to the Group financial statements.

#### The Chemring Group 2018 UK Sharesave Plan (the "UK Sharesave Plan")

The UK Sharesave Plan is open to all eligible UK employees. Employees may choose between three and five-year savings periods, at the end of which the employee can choose to exercise the option or request the return of their savings. A grant of options was made on 5 August 2024.

#### The Chemring Group Performance Share Plan 2016 (The "2016 PSP")

The 2016 PSP is the primary long-term incentive plan for executive directors and senior employees. Discretionary awards are granted under the PSP over a fixed number of shares by reference to salary, with awards ordinarily vesting, subject to meeting performance criteria, on the third anniversary of the grant date. Awards were granted under the plan on 13 December 2023.

The 2016 PSP will expire in 2026 and approval will therefore be sought for a new plan at the Annual General Meeting on 26 February 2025.

### GOING CONCERN

Details of the conclusions arrived at by the directors in preparing the financial statements on a going concern basis are set out in the viability statement on page 83.



**DIRECTORS' REPORT** continued**ADDITIONAL INFORMATION, AS REQUIRED BY LISTING RULES REQUIREMENT 9.8.4**

The annual report is required to contain certain information under Listing Rules Requirement 9.8.4. Where this information has not been cross-referenced within the Group financial statements, it can be found in the following sections:

- capitalised interest (see note 7);
- long-term incentive schemes (see directors' remuneration report);
- allotment of equity securities for cash (see note 28);
- contracts of significance (see directors' report);
- contractual arrangements (see directors' report);
- details of independent directors (see corporate governance report); and
- substantial shareholders (see directors' report).

No profit forecasts are issued by the Group and no directors have waived any current or future emoluments.

No shareholder is considered to be a Controlling Shareholder (as defined in the Listing Rules Appendix 1) and the Group complies with the independence provisions of the Listing Rules.

**PROVISION OF INFORMATION TO THE AUDITOR**

Each director at the date of this report confirms that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and that they have each taken all of the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

**AUDITOR**

Resolutions will be proposed at the forthcoming Annual General Meeting to reappoint KPMG and to authorise the directors to determine the external auditor's remuneration.

**ANNUAL GENERAL MEETING**

The resolutions to be proposed at the Annual General Meeting to be held on 26 February 2025, together with explanatory notes, appear in the separate Notice of Annual General Meeting sent to all shareholders.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND ACCOUNTS**

The directors are responsible for preparing the annual report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law, and they have elected to prepare the parent company financial statements in accordance with UK accounting standards and applicable law, including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and, in respect of the parent company financial statements only, prudent;

- for the Group financial statements, state whether they have been prepared in accordance with UK-adopted international accounting standards;
- for the parent company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements;
- assess the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report, directors' report, directors' remuneration report and corporate governance report that comply with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with Disclosure Guidance and Transparency Rule ("DTR") 4.1.16R, the financial statements will form part of the annual financial report prepared under DTR 4.1.17R and 4.1.18R. The auditor's report on these financial statements provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

**RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL FINANCIAL REPORT**

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the strategic report and directors' report include a fair review of the development and performance of the business and the position of the issuer, and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

The strategic report, the directors' report and the responsibility statement were approved by the Board of directors on 17 December 2024 and are signed on its behalf by:

**Michael Ord**  
Group Chief Executive  
17 December 2024

**Sarah Ellard**  
Group Legal Director  
17 December 2024



## Financial statements

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## CONSOLIDATED INCOME STATEMENT

For the year ended 31 October 2024

	Note	2024 Total £m	2023 Total £m
<b>Continuing operations</b>			
Revenue	1,2	510.4	472.6
Operating profit	2,4	58.1	45.4
Finance expense	7	(4.8)	(1.3)
<b>Profit before tax</b>		53.3	44.1
Taxation	8	(10.6)	(6.4)
<b>Profit after tax</b>		42.7	37.7
<b>Discontinued operations</b>			
Loss after tax from discontinued operations	5	(3.2)	(32.3)
<b>Total profit after tax</b>		39.5	5.4
<b>Earnings per ordinary share</b>			
<b>Continuing operations</b>			
Basic	10	15.7p	13.4p
Diluted	10	15.3p	13.1p
<b>Continuing and discontinued operations</b>			
Basic	10	14.5p	1.9p
Diluted	10	14.2p	1.9p



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 October 2024

	Note	2024 £m	2023 £m
<b>Profit after tax attributable to equity holders of the parent as reported</b>		<b>39.5</b>	5.4
<b>Items that will not be reclassified subsequently to profit and loss</b>			
Remeasurement of the defined benefit pension scheme	30	(1.3)	(4.7)
Movement on deferred tax relating to the pension scheme	25	0.5	1.6
		(0.8)	(3.1)
<b>Items that may be reclassified subsequently to profit and loss</b>			
Exchange differences on translation of foreign operations		(12.0)	(15.2)
Tax on exchange differences on translation of foreign operations		0.1	(1.1)
		(11.9)	(16.3)
<b>Total comprehensive income/(loss) attributable to equity holders of the parent</b>		<b>26.8</b>	(14.0)



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 October 2024

	Share capital £m	Share premium account £m	Special capital reserve £m	Translation reserve £m	Retained earnings £m	Total £m
At 1 November 2023	2.8	308.7	12.9	(8.8)	62.9	378.5
Profit after tax	—	—	—	—	39.5	39.5
Other comprehensive loss	—	—	—	(12.0)	(1.3)	(13.3)
Tax relating to components of other comprehensive loss	—	—	—	0.1	0.5	0.6
Total comprehensive (loss)/income	—	—	—	(11.9)	38.7	26.8
Ordinary shares issued	—	0.3	—	—	—	0.3
Purchase of own shares	(0.1)	—	0.1	—	(38.4)	(38.4)
Share-based payments (net of settlement)	—	—	—	—	8.7	8.7
Dividends paid	—	—	—	—	(19.6)	(19.6)
<b>At 31 October 2024</b>	<b>2.7</b>	<b>309.0</b>	<b>13.0</b>	<b>(20.7)</b>	<b>52.3</b>	<b>356.3</b>
	Share capital £m	Share premium account £m	Special capital reserve £m	Translation reserve £m	Retained earnings £m	Total £m
At 1 November 2022	2.8	307.7	12.9	7.5	87.2	418.1
Profit after tax	—	—	—	—	5.4	5.4
Other comprehensive loss	—	—	—	(15.2)	(4.7)	(19.9)
Tax relating to components of other comprehensive loss	—	—	—	(1.1)	1.6	0.5
Total comprehensive (loss)/income	—	—	—	(16.3)	2.3	(14.0)
Ordinary shares issued	—	1.0	—	—	—	1.0
Purchase of own shares	—	—	—	—	(16.9)	(16.9)
Share-based payments (net of settlement)	—	—	—	—	7.6	7.6
Dividends paid	—	—	—	—	(17.3)	(17.3)
At 31 October 2023	2.8	308.7	12.9	(8.8)	62.9	378.5

**CONSOLIDATED BALANCE SHEET**

As at 31 October 2024

		2024		2023	
	Note	£m	£m	£m	£m
Non-current assets					
Goodwill	11	98.5		100.5	
Development costs	12	18.6		17.6	
Other intangible assets	12	10.0		9.6	
Property, plant and equipment	13	287.8		242.2	
Retirement benefit surplus	30	0.1		5.9	
Deferred tax	25	7.3		36.9	
			422.3		412.7
Current assets					
Inventories	15	127.1		101.7	
Trade and other receivables	16	91.0		74.8	
Cash and cash equivalents	17	45.0		6.4	
Derivative financial instruments	23	0.9		0.8	
			264.0		183.7
Assets classified as held for sale	5		5.8		—
Total assets			692.1		596.4
Current liabilities					
Borrowings	18	(43.0)		—	
Lease liabilities	19	(2.1)		(1.1)	
Trade and other payables	21	(163.3)		(124.0)	
Provisions	24	(3.2)		(5.6)	
Current tax		(8.8)		(8.2)	
Derivative financial instruments	23	(1.5)		(3.2)	
			(221.9)		(142.1)
Non-current liabilities					
Borrowings	18, 33	(43.7)		(14.1)	
Lease liabilities	19	(8.9)		(5.5)	
Government grants	20	(24.0)		—	
Provisions	24	(16.7)		(12.0)	
Deferred tax	25	(17.6)		(43.8)	
Derivative financial instruments	23	(2.9)		(0.3)	
Preference shares	18, 26	(0.1)		(0.1)	
			(113.9)		(75.8)
Total liabilities			(335.8)		(217.9)
Net assets			356.3		378.5
Equity					
Share capital	26		2.7		2.8
Share premium account	27		309.0		308.7
Special capital reserve	27		13.0		12.9
Translation reserve	27		(20.7)		(8.8)
Retained earnings			52.3		62.9
Total equity			356.3		378.5

These financial statements of Chemring Group PLC (registered number 86662) were approved and authorised for issue by the Board of directors on 17 December 2024.

Signed on behalf of the Board

**Michael Ord**  
Director

**James Mortensen**  
Director





## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 October 2024

	Note	2024 £m	2023 £m
<b>Cash flows from operating activities</b>			
Cash generated from continuing underlying operations	31	96.0	80.0
Cash impact of continuing non-underlying items		(2.5)	(2.1)
Cash utilised in discontinued underlying operations	5, 31	(1.5)	(0.8)
Cash impact of discontinued non-underlying items	31	(1.5)	(1.9)
Cash flows from operating activities		90.5	75.2
Retirement benefit deficit contributions	30	(3.0)	—
Tax paid		(6.5)	(9.3)
<b>Net cash inflow from operating activities</b>		81.0	65.9
<b>Cash flows from investing activities</b>			
Purchases of intangible assets		(4.8)	(1.5)
Purchases of property, plant and equipment		(64.8)	(32.7)
Acquisition of subsidiary net of cash acquired	29	—	(7.2)
Grant funding	20	22.0	—
Settlement of short-term funding to defined benefit pension scheme		—	2.0
<b>Net cash outflow from investing activities</b>		(47.6)	(39.4)
<b>Cash flows from financing activities</b>			
Dividends paid	9	(19.6)	(17.3)
Purchase of own shares	27	(41.0)	(14.0)
Proceeds for transactions in own shares	28	0.9	0.9
Paid accrued dividends on shares	28	(0.2)	(0.3)
Finance expense paid		(4.0)	(0.7)
Facility fees paid		(0.8)	(0.3)
Drawdown of borrowings		100.0	60.1
Repayments of borrowings		(70.1)	(66.8)
Payment of lease liabilities		(2.5)	(1.8)
<b>Net cash outflow from financing activities</b>		(37.3)	(40.2)
<b>Decrease in cash and cash equivalents</b>	32	(3.9)	(13.7)
Cash and cash equivalents at beginning of year		6.4	19.8
Effect of foreign exchange rate changes		(0.5)	0.3
<b>Cash and cash equivalents at end of year<sup>1</sup></b>	17, 33	2.0	6.4

1. Cash and cash equivalents of £2.0m at 31 October 2024 includes current borrowings of £43.0m. See note 17 for further details.



## NOTES TO THE GROUP FINANCIAL STATEMENTS

## 1. REVENUE

All of the Group's revenue is derived from the sale of goods and the provision of services. The following table provides an analysis of the Group's revenue by destination:

	Sensors & Information £m	Countermeasures & Energetics £m	2024 £m
UK	162.7	66.5	229.2
US	31.1	141.5	172.6
Europe	10.9	75.1	86.0
Asia Pacific	3.6	13.1	16.7
Rest of the world	3.7	2.2	5.9
	212.0	298.4	510.4

	Sensors & Information £m	Countermeasures & Energetics £m	2023 £m
UK	142.6	59.6	202.2
US	34.1	147.7	181.8
Europe	9.3	62.0	71.3
Asia Pacific	0.7	15.2	15.9
Rest of the world	0.3	1.1	1.4
	187.0	285.6	472.6

The directors consider that the only countries that are significant in accordance with IFRS 8 *Operating Segments* are the US and the UK.

The following table discloses the split of the Group's revenue between goods and services:

	Sensors & Information £m	Countermeasures & Energetics £m	2024 £m
Goods	48.6	290.8	339.4
Services	163.4	7.6	171.0
	212.0	298.4	510.4

	Sensors & Information £m	Countermeasures & Energetics £m	2023 £m
Goods	41.6	277.0	318.6
Services	145.4	8.6	154.0
	187.0	285.6	472.6

All revenues recognised arose from contracts with customers.

As at 31 October 2024 £1,038m (2023: £922m) of revenue was not yet recognised in respect of obligations that were unfulfilled or only partially fulfilled as at the year end. £413m (2023: £403m) of this revenue is expected to be recognised in the next financial year and £625m (2023: £519m) in future periods.

## 2. BUSINESS SEGMENTS

IFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Group Chief Executive and the Board to allocate resources to the segments and to assess their performance. For management purposes, the Group's operating and reporting structure clusters similar businesses together, based on the products and services they offer. These segments are the basis on which the Group reports its segmental information.

The principal activities of each segment are as follows:

<b>Sensors &amp; Information</b>	Provision of consulting and technology services to solve security-critical issues. Development and manufacture of electronic countermeasures and biological threat detection equipment.
<b>Countermeasures &amp; Energetics</b>	Development and manufacture of expendable countermeasures for air and sea platforms, cartridge/propellant actuated devices, pyrotechnic devices for satellite launch and deployment, missile components, propellants, separation sub-systems, actuators and energetic materials.



## NOTES TO THE GROUP FINANCIAL STATEMENTS continued

### 2. BUSINESS SEGMENTS continued

A segmental analysis of revenue and operating profit is set out below:

Year ended 31 October 2024	Sensors & Information £m	Countermeasures & Energetics £m	Unallocated* £m	Total £m
Revenue	212.0	298.4	—	510.4
Segment result before depreciation, amortisation and non-underlying items and discontinued operations	47.3	63.2	(16.8)	93.7
Depreciation (note 13)	(4.6)	(16.4)	—	(21.0)
Amortisation (note 12)	(1.3)	(0.3)	—	(1.6)
Segmental underlying operating profit	41.4	46.5	(16.8)	71.1
Amortisation of acquired intangibles (note 12)	(0.8)	(1.2)	—	(2.0)
Non-underlying items (note 3)	(3.2)	2.8	(10.6)	(11.0)
Impact of non-underlying items on profit before tax (note 3)	(4.0)	1.6	(10.6)	(13.0)
Segmental operating profit	37.4	48.1	(27.4)	58.1
Finance expense			(4.8)	(4.8)
Profit before tax			(32.2)	53.3
Tax			(10.6)	(10.6)
Profit for the year from continuing operations			(42.8)	42.7
Discontinued operations	3.2	(6.4)	—	(3.2)
<b>Profit for the year</b>	<b>40.6</b>	<b>41.7</b>	<b>(42.8)</b>	<b>39.5</b>

Year ended 31 October 2023	Sensors & Information £m	Countermeasures & Energetics £m	Unallocated* £m	Total £m
Revenue	187.0	285.6	—	472.6
Segment result before depreciation, amortisation and non-underlying items and discontinued operations	38.5	65.5	(15.5)	88.5
Depreciation	(3.6)	(15.0)	—	(18.6)
Amortisation	(0.7)	—	—	(0.7)
Segmental underlying operating profit	34.2	50.5	(15.5)	69.2
Amortisation of acquired intangibles (note 3)	(1.3)	(1.7)	—	(3.0)
Non-underlying items (note 3)	(22.2)	—	1.4	(20.8)
Impact of non-underlying items on profit before tax (note 3)	(23.5)	(1.7)	1.4	(23.8)
Segmental operating profit	10.7	48.8	(14.1)	45.4
Finance expense			(1.3)	(1.3)
Profit before tax			(15.4)	44.1
Tax			(6.4)	(6.4)
Profit for the year from continuing operations			(21.8)	37.7
Discontinued operations	(32.3)	—	—	(32.3)
<b>Profit for the year</b>	<b>(21.6)</b>	<b>48.8</b>	<b>(21.8)</b>	<b>5.4</b>

\* Unallocated items are specific corporate level costs that cannot be allocated to a business segment.

Assets and liabilities by segment are not reported to the Group Chief Executive on a monthly basis; therefore they are not used as a key decision making tool and are not disclosed here. A disclosure of non-current assets by location, excluding retirement benefit surplus and deferred tax, is shown below:

Non-current assets by location	2024 £m	2023 £m
UK	198.5	167.5
US	169.3	166.8
Norway	33.6	20.4
Australia	13.5	15.2
	<b>414.9</b>	<b>369.9</b>

#### Information on major customers

Of the Group's total revenue, £110.7m (2023: £117.8m) arose from sales to the US DoD, £98.5m (2023: £59.9m) arose from the sales to the UK MOD and £50.7m (2023: £54.5m) arose from sales to BAE Systems plc. These were the only customers where direct sales accounted for more than 10% of Group revenue for the year. Sales were reported in both of the Group's segments.



### 3. ALTERNATIVE PERFORMANCE MEASURES

The principal Alternative Performance Measures ("APMs") presented are the underlying measures of earnings which exclude exceptional items, gain or loss on the movement on the fair value of derivative financial instruments, and the amortisation of acquired intangibles. The directors believe that these APMs assist the comparability of information between reporting periods. The term underlying is not defined under IFRS and may not be comparable with similarly titled measures used by other companies.

Reconciliation from underlying to statutory performance:

	2024			2023		
	Underlying performance £m	Non-underlying items £m	Statutory Total £m	Underlying performance £m	Non-underlying items £m	Statutory Total £m
<b>Continuing operations</b>						
Revenue	510.4	—	510.4	472.6	—	472.6
Operating profit	71.1	(13.0)	58.1	69.2	(23.8)	45.4
Finance expense	(4.8)	—	(4.8)	(1.3)	—	(1.3)
Profit before tax	66.3	(13.0)	53.3	67.9	(23.8)	44.1
Taxation	(12.3)	1.7	(10.6)	(10.2)	3.8	(6.4)
Profit after tax	54.0	(11.3)	42.7	57.7	(20.0)	37.7
<b>Discontinued operations</b>						
Loss after tax from discontinued operations	(1.3)	(1.9)	(3.2)	(0.9)	(31.4)	(32.3)
<b>Total profit after tax</b>	<b>52.7</b>	<b>(13.2)</b>	<b>39.5</b>	<b>56.8</b>	<b>(51.4)</b>	<b>5.4</b>
<b>Earnings per ordinary share</b>						
<b>Continuing operations</b>						
Basic	19.8		15.7	20.5p		13.4p
Diluted	19.3		15.3	20.0p		13.1p
<b>Continuing operations and discontinued operations</b>						
Basic	19.3		14.5	20.2p		1.9p
Diluted	18.8		14.2	19.7p		1.9p

In accordance with our accounting policy we have presented the following reconciliation of APMs used throughout this report to their IFRS equivalent measures as follows:

	2024 £m	2023 £m
Non-underlying items and non-underlying measures		
(Loss)/gain on the movement in the fair value of derivative financial instruments (note 23)	(2.0)	1.4
Acquisition expenses (note 29)	(3.4)	(3.7)
Defined benefit pension buy-in and buy-out transaction	(7.5)	—
Change in senior management positions	(1.2)	—
Impairment of Chemical Detection assets	—	(18.5)
Release of disposal provisions (note 24)	—	3.2
Release of/(increase in) legal and disposal provisions (note 24)	3.1	(3.2)
<b>Impact of non-underlying items on EBITDA</b>	<b>(11.0)</b>	<b>(20.8)</b>
Amortisation of acquired intangibles arising from business combinations (note 12)	(2.0)	(3.0)
<b>Impact of non-underlying items on profit before tax</b>	<b>(13.0)</b>	<b>(23.8)</b>
Tax impact of non-underlying items	1.7	3.8
<b>Impact of non-underlying items on continuing profit after tax</b>	<b>(11.3)</b>	<b>(20.0)</b>
Non-underlying discontinued operations after tax (note 5)	(1.9)	(31.4)
<b>Impact of non-underlying items on profit after tax</b>	<b>(13.2)</b>	<b>(51.4)</b>
Underlying profit after tax	52.7	56.8
Statutory profit after tax	39.5	5.4

The APMs used may not be comparable across companies. The impact of non-underlying items on statutory basic and diluted EPS, as well as a reconciliation to the IFRS equivalent, is presented in note 10. The impact of non-underlying items on cash generated from operating activities, as well as a reconciliation to the IFRS equivalent, is presented in note 31. The cash impact of non-underlying items includes the impact of exceptional items from prior years where the income statement and cash flow timings differ. Non-underlying items are defined in the accounting policies on page 180.



## NOTES TO THE GROUP FINANCIAL STATEMENTS continued

## 3. ALTERNATIVE PERFORMANCE MEASURES continued

## Derivative financial instruments

Included in non-underlying items is a £2.0m loss (2023: £1.4m gain) on the movement in fair value of derivative financial instruments. This is excluded from underlying earnings to ensure the recognition of the gain or loss on the derivative matches the timing of the underlying transaction.

## Acquisition expenses

Included in non-underlying items is £3.4m (2023: £3.7m) of acquisition related expenses. This includes £3.2m (2023: £3.4m) relating to deferred consideration contingent on continued employment of the former owners of Geollect and Cubica, which has been accounted for as equity-settled share-based payments under IFRS 2 *Share-based payments*. We have classified this cost as a non-underlying item as it is a non-recurring cost relating to acquisitions. See note 29 for further details. The remaining expense of £0.2m (2023: £0.3m) primarily includes professional fees incurred in relation to the Group's mergers and acquisitions activity during the year. The acquisition related expenses are not reflective of the underlying costs of the Group and therefore, in order to provide an explanation of results that is not distorted by the costs of a business being acquired rather than organically developed, these costs have been excluded from the underlying measures. This expense has been presented against the Sensors & Information business segment in note 2.

## Defined benefit pension buy-in and buy-out transaction

Included in non-underlying items is an expense of £7.5m (2023: £nil). This comprises the settlement loss following the buy-in transaction agreed on 28 November 2023, as well as ongoing costs incurred in relation to the buy-in process which will eventually conclude with a buy-out of the scheme. The buy-in and buy-out transaction is considered a non-recurring event by nature and the expense relating to it is material in size; therefore, these costs have been excluded from the underlying measures.

## Change in senior management positions

Included in non-underlying items are costs of £1.2m (2023: £nil) relating to the change of senior management positions within the Group, including the appointment of the Chairman, the Group Chief Financial Officer and the President of the Group's US operations. The non-underlying costs includes costs incurred in recruitment and costs incurred during handover periods. Costs incurred of this nature are considered exceptional given their significance comparative to general recruitment and remuneration activities across the Group; therefore, these costs have been excluded from the underlying measures.

## Legal and disposal provisions

Included in non-underlying items is a £3.1m (2023: £nil) release of legal and disposal provisions, relating to the 2018 incident at our UK countermeasures facility in Salisbury. The HSE prosecution was closed in the year; see note 34 for further details. This release has been presented against the Countermeasures & Energetics business segment in note 2.

## Amortisation of acquired intangibles

Included in non-underlying items is the amortisation charge arising from business combinations of £2.0m (2023: £3.0m). Amortisation of acquired intangibles arising from business combinations is associated with acquisition accounting under IFRS 3 *Business Combinations*. IFRS requires intangibles to be recognised on acquisition that would not have been capitalised had the business grown organically under Chemring's ownership. As such, these costs are not reflective of the underlying costs of the Group and therefore, in order to provide an explanation of results that is not distorted by the history of business units being acquired rather than organically developed, have been excluded from the underlying measures.

## Tax

The tax impact of non-underlying items comprises a £1.7m tax credit (2023: £3.8m credit) on the above non-underlying items.

We present the underlying effective tax rate for the Group, excluding non-underlying items, that is comparable over time. This is the taxation expense for the Group, excluding any non-underlying tax charge or credit, as a percentage of underlying profit before taxation.

## Net debt

A reconciliation and analysis of net debt is presented in notes 32 and 33. This APM allows management to monitor the indebtedness of the Group.

## Discontinued operations

Further details on the results of discontinued operations are presented in note 5.

## EBITDA

In our financial review we present measures of EBITDA, which is calculated as follows:

	2024 £m	2023 £m
Operating profit	58.1	45.4
Amortisation arising from business combinations (note 12)	2.0	3.0
Amortisation of development costs (note 12)	1.3	0.7
Amortisation of patents and licences (note 12)	0.3	—
Depreciation of property, plant and equipment (note 13)	21.0	18.6
<b>EBITDA</b>	<b>82.7</b>	67.7
Non-underlying items	11.0	20.8
<b>Underlying EBITDA</b>	<b>93.7</b>	88.5

## Constant currency revenue and operating profit

In our financial review we present a measure of constant currency revenue and operating profit. This is calculated by translating our results for the year ended 31 October 2024 at the average exchange rates for the comparative year ended 31 October 2023.

## Underlying cash conversion

In our financial review we present a measure of underlying cash conversion. This is calculated as underlying operating cash as a ratio of underlying EBITDA for the stated period. Comparative period values for years prior to the year ended 31 October 2023 can be found on page 188 in the five-year record of financials.



#### 4. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

		2024 £m	2023 £m
Research and development costs	– internally-funded	14.2	10.1
Amortisation	– arising from business combinations	2.0	3.0
	– development costs	1.3	0.7
	– patents and licences	0.3	—
Depreciation of property, plant and equipment	– owned assets	19.1	17.2
	– leased assets	1.9	1.4
Impairment of development costs		—	15.6
Loss on disposal of non-current assets		1.7	—
Government grant income		—	(0.1)
Foreign exchange losses		0.3	2.7
Staff costs (note 6)		196.1	176.6
Cost of inventories recognised as an expense		165.3	146.5

The remaining items within operating profit predominantly relate to general and administrative expenses and production overheads.

A detailed analysis of the auditor's remuneration on a worldwide basis is set out below:

	2024 £m	2023 £m
Auditor's remuneration		
Fees payable to the Company's auditor and its associates for:		
– the audit of the Company's annual accounts	0.5	0.4
– the audit of the Company's subsidiaries, pursuant to legislation	0.8	0.7
	1.3	1.1
<b>Other services</b>		
Audit-related assurance services	0.1	0.1
	1.4	1.2

Included in the fees for the audit of the Company's annual accounts is £0.1m (2023: £0.1m) in respect of the parent company. A description of the work of the Audit Committee is set out in the Audit Committee report on pages 100 to 103, which includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditor. No services were provided by the auditor pursuant to contingent fee arrangements.

#### 5. RESULTS FROM DISCONTINUED OPERATIONS AND HELD FOR SALE ASSET

Total losses from discontinued operations for the year to 31 October 2024 were £3.2m. Included in this balance is the underlying loss from the EHD business of £1.3m and an associated non-underlying credit of £4.5m, being the reversal of an impairment of £5.8m of the held for sale assets, a £0.6m charge for site rationalisation costs and professional fees related to the sale, and a tax credit against those non-underlying items of £0.7m (see below). Also included in discontinued operations is a £6.4m charge relating to an increase in provisions for a previously disposed European Munitions business (see note 24 for further details).

##### EHD Business

In 2023, the decision was taken that the Explosive Hazard Detection ("EHD") business would not continue to operate as a result of the US DoD's decision in 2022 to transition the HMDS Program of Record into sustainment earlier than previously indicated. After evaluating the potential sustainment program it was determined that in the short to medium term there was insufficient DoD funding to make it economically viable for Chemring to continue to operate the EHD business. Therefore the business was abandoned and treated as a discontinued operation. All assets were written off and impaired as at 31 October 2023.

During the year to 31 October 2024 and prior to the assets being physically disposed of, the Group received an offer to purchase the EHD business. An asset purchase agreement was signed for the purchase of the EHD business. The business assets were preserved, and certain costs were incurred to safeguard these assets in order to ensure that they were in a condition ready to sell. There was also certain revenue related to the sale of spare parts for the service of active units in operation which occurred during the year while the process of selling the EHD business was ongoing, as disclosed in the table below.

The sale transaction is expected to complete in the next 12 months, subject to regulatory approval.





## NOTES TO THE GROUP FINANCIAL STATEMENTS continued

## 5. RESULTS FROM DISCONTINUED OPERATIONS AND HELD FOR SALE ASSET continued

	2024			2023		
	Underlying £m	Non-underlying £m	Total £m	Underlying £m	Non-underlying £m	Total £m
<b>EHD business</b>						
Revenue	1.8	—	1.8	9.3	—	9.3
Operating loss	(1.5)	5.2	3.7	(1.2)	(33.6)	(34.8)
Tax	0.2	(0.7)	(0.5)	0.3	2.2	2.5
Operating profit/(loss) from EHD business	(1.3)	4.5	3.2	(0.9)	(31.4)	(32.3)
<b>Other discontinued operations</b>	—	—	—	—	—	—
Increase in provisions	—	(6.4)	(6.4)	—	—	—
<b>Total loss from discontinued operations</b>	<b>(1.3)</b>	<b>(1.9)</b>	<b>(3.2)</b>	<b>(0.9)</b>	<b>(31.4)</b>	<b>(32.3)</b>

A held for sale asset of £5.8m in relation to the EHD business has been recognised as at 31 October 2024, representing the fair value of the assets less costs to sell.

In the year to 31 October 2023, non-underlying items included a non-cash impairment of £31.2m (of which £20.5m related to the goodwill associated with the acquisition of the EHD business in 2009 and £10.7m related to other assets), site rationalisation costs of £1.7m and the amortisation of acquired intangibles of £0.7m. The cash flows from discontinued operations are presented in note 31.

## 6. STAFF COSTS

The average monthly number of employees, including executive directors, was:

	2024 Number	2023 Number
Direct	1,653	1,610
Indirect	1,019	931
Continuing operations	2,672	2,541
Discontinued operations	11	37
	<b>2,683</b>	<b>2,578</b>

The costs incurred, including share-based payments, were:

	2024 £m	2023 £m
Wages and salaries	162.7	148.8
Social security costs	17.3	15.0
Other pension costs	10.3	8.4
Share-based payment charge	5.8	4.4
<b>Staff costs from continuing operations</b>	<b>196.1</b>	<b>176.6</b>
<b>Staff costs from discontinued operations</b>	<b>1.0</b>	<b>3.1</b>
<b>Total staff costs</b>	<b>197.1</b>	<b>179.7</b>

The share-based payment charge of £5.8m (2023: £4.4m) excludes £3.2m (2023: £3.4m) of deferred consideration in relation to acquisitions accounted for as equity-settled share-based payments. These amounts are included in non-underlying costs; see notes 3 and 28 for details.



## 7. FINANCE EXPENSE

	2024 £m	2023 £m
Bank overdraft and loan interest	5.8	2.9
Amortisation of debt finance costs	0.4	0.4
Interest cost on retirement benefit obligations (note 30)	—	0.6
Lease liability interest (note 19)	0.3	0.2
	6.5	4.1
Amount capitalised (note 13)	(1.7)	(2.8)
<b>Finance expense</b>	<b>4.8</b>	<b>1.3</b>

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's general borrowings during the year, in this case 6.1% (2023: 5.7%). During the year £1.7m (2023: £2.8m) of interest was capitalised in relation to the automation programme and the investment in capacity expansion in the niche Energetics businesses.

## 8. TAXATION

	2024 £m	2023 £m
Current tax charge – current year	7.7	10.1
Current tax credit – prior year	(0.8)	(0.5)
Deferred tax charge/(credit) – current year (note 25)	3.0	(2.7)
Deferred tax charge/(credit) – prior year (note 25)	0.7	(0.5)
<b>Tax charge</b>	<b>10.6</b>	<b>6.4</b>

Income tax in the UK is calculated at 25% (2023: 22.5%) of the taxable profit for the year. Tax for other jurisdictions is calculated at the rates prevailing in those jurisdictions.

The tax charge can be reconciled to the income statement as follows:

	2024 £m	2023 £m
<b>Profit before tax</b>	<b>53.3</b>	<b>44.1</b>
Tax at the UK corporation tax rate of 25% (2023: 22.5%)	13.3	9.9
Expenses not deductible for tax purposes	0.1	0.5
Changes in tax rates	—	0.3
Tax losses/future interest deductions not previously recognised	—	(2.8)
Release of tax risk provision	(2.8)	(1.2)
Prior period adjustments	(0.1)	(1.0)
Overseas profits taxed at rates different to the UK standard rate	0.1	0.7
<b>Tax charge for continuing operations</b>	<b>10.6</b>	<b>6.4</b>

In addition to the tax charge in the income statement, a tax credit of £0.6m (2023: £0.5m) has been recognised in other comprehensive income in the year.

The effective rate of tax on the profit before tax of the Group is 19.9% (2023: 14.5%), and the effective rate of tax on the underlying profit before tax of the Group is 18.6% (2023: 15.0%). The effective rate of tax on the underlying profit before tax is lower than the corporation tax rate due to benefit of US losses in the period and the release of Chemring Countermeasures UK incident provision, which was not treated as tax deductible at the time of recognition in 2018.

Included within the tax charge is a current year non-underlying deferred tax credit of £1.6m (2023: £3.8m), predominantly relating to tax on amortisation of acquired intangibles.

### Factors affecting the tax charge in future years

The Group's future tax charge and effective tax rate could be affected by several factors including: tax reform in countries around the world, including any arising from the implementation of the OECD's BEPS actions and European Commission initiatives such as the proposed tax and financial reporting directive or as a consequence of state aid investigations, future corporate acquisitions and disposals and any restructuring of our business.



## NOTES TO THE GROUP FINANCIAL STATEMENTS continued

## 9. DIVIDENDS

	2024 £m	2023 £m
<b>Dividends paid on ordinary shares of 1p each</b>		
Final dividend of 4.6p per share for the year ended 31 October 2023 (3.8p per share for the year ended 31 October 2022)	12.5	10.8
Interim dividend of 2.6p per share for the year ended 31 October 2024 (2.3p per share for the year ended 31 October 2023)	7.1	6.5
<b>Total dividends</b>	<b>19.6</b>	<b>17.3</b>

Subject to approval at the Annual General Meeting, the final dividend of 5.2p per ordinary share will be paid on 11 April 2025 to all shareholders registered at the close of business on 21 March 2025. The estimated cash value of this dividend is £14.5m, although the final payment may be lower as a result of the impact of share buybacks. The total dividend for the year will therefore be 7.8p (2023: 6.9p) per ordinary share. As the final dividend is subject to approval by the shareholders at the Annual General Meeting, it has not been included as a liability in the financial statements for the year ended 31 October 2024.

The cumulative preference shares carry an entitlement to a dividend at the rate of 7p per share per annum which was paid in equal instalments on 30 April 2024 and 31 October 2024.

## 10. EARNINGS PER ORDINARY SHARE

Earnings per share is based on the average number of shares in issue, excluding own shares held, of 272,875,033 (2023: 281,655,927).

Diluted earnings per share has been calculated using a diluted average number of shares in issue, excluding own shares held, of 279,133,292 (2023: 288,780,153).

The number of shares used in the calculations is as follows:

	2024 Ordinary shares Number millions	2023 Ordinary shares Number millions
<b>Weighted average number of shares used to calculate basic earnings per share</b>	<b>272.9</b>	<b>281.7</b>
Additional shares issuable other than at fair value in respect of options outstanding	6.2	7.1
<b>Weighted average number of shares used to calculate diluted earnings per share</b>	<b>279.1</b>	<b>288.8</b>

The earnings used in the calculations of the various measures of earnings per share are as follows:

	2024			2023		
	£m	Basic EPS (Pence)	Diluted EPS (Pence)	£m	Basic EPS (Pence)	Diluted EPS (Pence)
Underlying profit after tax	54.0	19.8	19.3	57.7	20.5	20.0
Non-underlying items (note 3)	(11.3)			(20.0)		
Profit from continuing operations	42.7	15.7	15.3	37.7	13.4	13.1
Loss from discontinued operations	(3.2)	(1.2)	(1.1)	(32.3)	(11.5)	(11.2)
<b>Total profit after tax</b>	<b>39.5</b>	<b>14.5</b>	<b>14.2</b>	<b>5.4</b>	<b>1.9</b>	<b>1.9</b>



## 11. GOODWILL

	£m
<b>Cost</b>	
At 1 November 2022	204.9
Acquisitions through business combinations (note 29)	5.9
Foreign exchange adjustments	(6.5)
At 31 October 2023	204.3
Acquisitions through business combinations (note 29)	—
Foreign exchange adjustments	(6.8)
<b>At 31 October 2024</b>	<b>197.5</b>
<b>Accumulated impairment losses</b>	
At 1 November 2022	(86.8)
Impairment	(20.5)
Foreign exchange adjustments	3.5
At 31 October 2023	(103.8)
Acquisitions through business combinations (note 29)	—
Foreign exchange adjustments	4.8
<b>At 31 October 2024</b>	<b>(99.0)</b>
<b>Carrying amount</b>	
<b>At 31 October 2024</b>	<b>98.5</b>
At 31 October 2023	100.5

Goodwill acquired in a business combination is allocated at acquisition to the cash-generating units ("CGUs") that are expected to benefit from that business combination. Cash-generating units are represented as the division within an operating company. In most of our operating companies, there is only one division and therefore CGUs are represented by the individual operating companies within the operating segment descriptions in note 2. For Chemring Sensors & Electronic Systems, Inc. the business unit is split into two separate CGUs to reflect the independent cash flows being generated and the way in which management monitors the business. The two CGUs being Biological Detection and Chemical Detection.

The Group tests goodwill at least annually for impairment. Tests are conducted more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the CGUs are determined from value-in-use calculations. This exercise also forms the basis of any impairment reviews of PPE and for the parent company's investment in subsidiaries, should any impairment triggers be identified. The key assumptions for the value-in-use calculations have been individually estimated for each CGU and include the discount rates and expected changes to cash flows during the period for which management has detailed plans, which are underpinned by the winning and execution of key contracts. Based on our assessment, there is no reasonable possible change in a key assumption which would result in the impairment of goodwill.

Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to each of the CGUs. Pre-tax discount rates, derived from the Group's post-tax weighted average cost of capital of 8.8% (2023: 8.5%) and which have been adjusted for a premium specific to each of the CGUs to account for differences in currency risk, country risk and other factors affecting specific CGUs, have been used to discount projected cash flows. The premiums for 2024 were all 1% (2023: 1%).

The Board-approved five-year plan which considers past experience, expectations of future changes and understanding of customer budgets and priorities forms the basis of the impairment review. Cash flow considerations within the review include the timing of forecast revenues, expected contract outcomes and forecast operating margins. The relative value ascribed to each varies between CGUs as the five-year plan is built up from the underlying operating companies within each CGU. Considerations for new facilities include the impact of commissioning and production ramp up phasing on the timing of future cash flows.

At the end of five years, the calculations assume the performance of the CGUs will grow at a nominal annual rate of 2.5% (2023: 2.25%) in perpetuity. Growth rates are based on management's view of industry growth forecasts. The weighted average cost of capital is derived using beta values of a comparator group of defence companies adjusted for funding structures as appropriate.



## NOTES TO THE GROUP FINANCIAL STATEMENTS continued

## 11. GOODWILL continued

The pre-tax discount rates used for value-in-use calculations and the carrying value of goodwill by CGUs are:

	2024 %	2023 %	2024 £m	2023 £m
Roke Manor Research Limited	13.2	12.9	37.4	37.4
Chemring Energetics UK Limited	13.2	12.9	14.6	14.6
Chemring Sensors & Electronic Systems, Inc. – Biological Detection	12.5	11.8	17.2	18.2
Chemring Sensors & Electronic Systems, Inc. – Chemical Detection	12.5	11.8	—	—
Chemring Energetic Devices, Inc.	12.5	11.8	16.2	17.1
Kilgore Flares Company LLC	12.5	11.8	5.8	5.8
Other			7.3	7.4
			98.5	100.5

The pre-tax discount rates used for other CGUs ranged from 11.6% to 13.9% (2023: 11.6% to 12.9%).

The “Other” CGU is the carrying amount of goodwill that is allocated across multiple CGUs.

Stress testing was performed on the forecasts to consider the impact of reasonably possible scenarios over the forecast period, including a 1% increase in discount rate, a 1% reduction in long-term growth rate, a 10% fall in the forecast cash flows or a \$0.10 weakening in the sterling to US dollar exchange rate. Even under any of these circumstances, no CGUs would require an impairment against goodwill.

There are no reasonably possible changes in assumptions that would require an impairment against goodwill.

## 12. DEVELOPMENT COSTS AND OTHER INTANGIBLE ASSETS

	Development costs £m	Acquired technology £m	Acquired customer relationships £m	Patents and licences £m	Total £m
<b>Cost</b>					
At 1 November 2022	63.9	107.1	55.0	0.5	162.6
Acquisitions through business combinations (note 29)	—	1.4	1.2	—	2.6
Additions	1.5	—	—	—	—
Disposals	—	—	—	—	—
Foreign exchange adjustments	(2.0)	(4.9)	(2.0)	—	(6.9)
At 31 October 2023	63.4	103.6	54.2	0.5	158.3
Acquisitions through business combinations (note 29)	—	—	—	—	—
Additions	3.1	—	—	2.7	2.7
Disposals	—	(0.4)	—	—	(0.4)
Foreign exchange adjustments	(2.1)	(5.1)	(2.0)	—	(7.1)
<b>At 31 October 2024</b>	<b>64.4</b>	<b>98.1</b>	<b>52.2</b>	<b>3.2</b>	<b>153.5</b>
<b>Amortisation</b>					
At 1 November 2022	(29.3)	(103.0)	(48.0)	(0.2)	(151.2)
Charge	(0.7)	(1.6)	(2.1)	—	(3.7)
Impairment	(16.3)	(0.2)	—	—	(0.2)
Disposals	—	—	—	—	—
Foreign exchange adjustments	0.5	4.7	1.7	—	6.4
At 31 October 2023	(45.8)	(100.1)	(48.4)	(0.2)	(148.7)
Charge	(1.3)	(0.8)	(1.2)	(0.3)	(2.3)
Impairment	—	—	—	—	—
Disposals	—	0.4	—	—	0.4
Foreign exchange adjustments	1.3	5.2	1.9	—	7.1
<b>At 31 October 2024</b>	<b>(45.8)</b>	<b>(95.3)</b>	<b>(47.7)</b>	<b>(0.5)</b>	<b>(143.5)</b>
<b>Carrying amount</b>					
<b>At 31 October 2024</b>	<b>18.6</b>	<b>2.8</b>	<b>4.5</b>	<b>2.7</b>	<b>10.0</b>
At 31 October 2023	17.6	3.5	5.8	0.3	9.6

Included within the development costs of £18.6m, individually material balances relate to Joint Biological Tactical Detection System of £8.8m (2023: £9.2m) and Perceive of £4.3m (2023: £5.5m). Development costs are amortised over their useful economic lives, estimated to be between two and ten years, which begins once a product is being actively marketed to customers, or in the case of products being sole supplied to a single customer, once that programme is in full rate production. The remaining amortisation periods for these assets ranging up to ten years.



## 12. DEVELOPMENT COSTS AND OTHER INTANGIBLE ASSETS continued

During the year ended 31 October 2023, the Group recognised an impairment of capitalised development costs of £15.6m having undertaken a wider strategic review of the US Sensors business and concluding that the prospect of securing a Program of Record in the Chemical Detection part of the business is no longer probable. In addition, a further £0.7m impairment was recognised in relation to capitalised development costs associated with the EHD business that was treated as a discontinued operation in 2023.

Acquired intangibles are recognised at fair value on acquisition and are amortised over their estimated useful lives. Fair values for acquired intangibles are assessed by reference to future estimated cash flows, discounted at an appropriate rate to present value, or by reference to the amount that would have been paid in an arm's length transaction between two knowledgeable and willing parties. Other intangible assets are recognised at cost and are amortised over their estimated useful economic lives, which are set out in the accounting policies section.

Acquired technology of £2.8m includes individually material balances relating to Roke (including the Cubica Group and Geollect) of £2.8m (2023: £3.1m) and Chemring Energetic Devices of £nil (2023: £0.4m). The remaining amortisation periods for these assets are seven years.

Acquired customer relationships of £4.5m include individually material balances relating to Chemring Energetic Devices of £2.1m (2023: £3.1m) and Roke (including the Cubica Group and Geollect) of £2.4m (2023: £2.7m). The remaining amortisation periods for these assets are two years and seven years respectively.

During the year ended 31 October 2023, the Group recognised an impairment of acquired technology of £0.2m related to the Chemical Detection business.

## 13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £m	Plant and equipment £m	Right-of-use land and buildings £m	Right-of-use plant and equipment £m	Total £m
<b>Cost or valuation</b>					
At 1 November 2022	145.3	182.8	10.1	0.7	338.9
Reclassification	0.2	(0.2)	—	—	—
Additions	14.4	21.8	2.2	0.1	38.5
Disposals	(0.7)	(5.3)	(0.1)	—	(6.1)
Foreign exchange adjustments	(4.7)	(8.5)	(0.3)	—	(13.5)
At 31 October 2023	154.5	190.6	11.9	0.8	357.8
Reclassification	0.8	(0.8)	—	—	—
Additions	27.6	41.1	6.4	0.3	75.4
Disposals	(0.4)	(2.1)	(4.2)	(0.2)	(6.9)
Foreign exchange adjustments	(4.3)	(7.0)	(0.4)	—	(11.7)
<b>At 31 October 2024</b>	<b>178.2</b>	<b>221.8</b>	<b>13.7</b>	<b>0.9</b>	<b>414.6</b>
<b>Depreciation</b>					
At 1 November 2022	(24.9)	(77.9)	(4.4)	(0.4)	(107.6)
Charge	(3.8)	(13.4)	(1.6)	(0.1)	(18.9)
Impairment	(0.1)	(0.2)	—	—	(0.3)
Disposals	0.7	5.3	0.1	—	6.1
Foreign exchange adjustments	1.2	3.7	0.2	—	5.1
At 31 October 2023	(26.9)	(82.5)	(5.7)	(0.5)	(115.6)
Charge	(4.3)	(14.8)	(1.8)	(0.1)	(21.0)
Impairment	—	—	—	—	—
Disposals	0.2	0.6	4.2	0.2	5.2
Foreign exchange adjustments	1.1	3.0	0.5	—	4.6
<b>At 31 October 2024</b>	<b>(29.9)</b>	<b>(93.7)</b>	<b>(2.8)</b>	<b>(0.4)</b>	<b>(126.8)</b>
<b>Carrying amount</b>					
<b>At 31 October 2024</b>	<b>148.3</b>	<b>128.1</b>	<b>10.9</b>	<b>0.5</b>	<b>287.8</b>
At 31 October 2023	127.6	108.1	6.2	0.3	242.2

During the year, £1.7m (2023: £2.8m) of interest was capitalised, as set out in note 7. £1.0m (2023: £1.0m) of capitalised interest was charged as depreciation and £nil (2023: £nil) was disposed of. This results in a net book value for capitalised interest of £11.3m (2023: £10.6m).

During the year ended 31 October 2023, the Group recognised an impairment of property, plant and equipment of £0.3m in relation to assets associated with the EHD division of the US Sensors business which was treated as a discontinued operation in 2023. See note 5 for further details.

Included within land and buildings and plant and equipment are assets under construction of £34.6m and £31.4m respectively (2023: £28.6m and £30.6m). These assets are not depreciated.

During the year, £12.3m (2023: £nil) of property, plant and equipment additions related to capital projects funded via receipt of government grants (see note 20).





## NOTES TO THE GROUP FINANCIAL STATEMENTS continued

**13. PROPERTY, PLANT AND EQUIPMENT** continued

As part of the transition to IFRS in 2005, Chemring utilised the most recent revaluation amount for land and buildings for two pyrotechnic sites, to be utilised as the deemed cost of the asset under IFRS. All other tangible fixed assets are stated at historical cost.

At 31 October 2024, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £19.5m (2023: £27.9m). In addition, the Group had commitments for the acquisition of property, plant and equipment of £7.0m under government grant conditions.

Cash flows from purchases of property, plant and equipment are £64.8m (2023: £32.7m). The difference to the additions total presented above includes £6.9m (2023: £2.3m) non-cash movements related to right-of-use assets as well as the movement in accrued capital expenditure.

**14. SUBSIDIARY UNDERTAKINGS**

All subsidiary undertakings have been reflected in these financial statements. The subsidiary undertakings held at 31 October 2024, which have a single class of ordinary shares all 100% owned by the Group, are shown below. All of these subsidiary undertakings are wholly controlled by Chemring Group PLC, unless otherwise stated.

	Country of incorporation (or registration) and operation	Operating segment
<b>Subsidiary undertaking</b>		
Chemring Australia Pty Limited	Australia	Countermeasures & Energetics
Chemring Countermeasures Limited*	England	Countermeasures & Energetics
Chemring North America Unlimited	England	Dormant
Chemring Prime Contracts Limited*	England	Dormant
Chemring Technology Solutions Limited*	England	Countermeasures & Energetics
Chemring Holdings Limited* (formerly CHG Overseas Limited)	England	Holding company
Cubica Technology Limited*	England	Dormant
Geollect Limited*	England	Dormant
Q6 Holdings Limited*	England	Dormant
Roke Manor Research Limited	England	Sensors & Information
Vigil AI Limited**	England	Sensors & Information
Chemring Nobel AS	Norway	Countermeasures & Energetics
Chemring Energetics UK Limited	Scotland	Countermeasures & Energetics
Alloy Surfaces Company, Inc.	US	Countermeasures & Energetics
ASC Realty LLC	US	Property holding company
Chemring Energetic Devices, Inc.	US	Countermeasures & Energetics
Chemring North America Group, Inc.	US	Holding company
Chemring Sensors & Electronic Systems, Inc.	US	Sensors & Information
CHG Flares, Inc.	US	Holding company
CHG Group, Inc.	US	Holding company
Geollect LLC	US	Sensors & Information
Kilgore Flares Company LLC	US	Countermeasures & Energetics
Roke USA, Inc.	US	Sensors & Information
Tactical Systems and Ordnance, Inc.	US	Non-trading

\* Shares directly held by Chemring Group PLC.

\*\* 80% indirectly owned by Chemring Group PLC.

Chemring Holdings Limited (company number 02731691), Chemring Technology Solutions Limited (company number 01528540) and Geollect Limited (company number 10584604) are exempt from the requirement to file audited accounts for the year ended 31 October 2024 by virtue of section 479A of the Companies Act 2006. See page 189 for the registered offices of the subsidiary undertakings.

**15. INVENTORIES**

	2024 £m	2023 £m
Raw materials	57.4	49.6
Work in progress	54.7	33.1
Finished goods	15.0	19.0
	127.1	101.7

There are no significant differences between the replacement cost of inventory and the carrying amount shown above. The Group recognised £0.8m (2023: £0.3m) as a write down of inventories to net realisable value. See note 4 for details of cost of inventories recognised as an expense.



## 16. TRADE AND OTHER RECEIVABLES

	2024 £m	2023 £m
Trade receivables	46.2	41.5
Allowance for doubtful debts	(0.1)	(0.2)
	46.1	41.3
Advance payments to suppliers	1.4	2.3
Other receivables	13.8	10.7
Prepayments	7.0	6.9
Accrued income	22.7	13.6
	91.0	74.8

All amounts shown above are due within one year.

The average credit period taken by customers on sales of goods, calculated using a countback basis, is 15 days (2023: 16 days). No interest is charged on receivables from the date of invoice to payment.

Given the Group's customer base, expected credit losses are typically not material; however, if there is any doubt over recoverability, the Group's policy is to provide in full for trade receivables outstanding for more than 120 days beyond agreed terms. As at 31 October 2024, £2.0m of gross trade receivables were aged greater than 30 days past due (2023: £0.5m).

The directors consider that the carrying amount of trade and other receivables approximates to their fair values.

Of the £13.6m of accrued income at 31 October 2023, £13.6m had been billed and paid in the year. Of the £22.7m of accrued income at 31 October 2024, £6.0m was billed in the month after the reporting date. The remainder relates to the completion of performance obligations which will be billed at the next contractual milestone, which is expected within the next year.

Of the £13.8m (2023: £10.7m) of other receivables at 31 October 2024, £11.7m (2023: £8.9m) related to research and development expenditure credits receivable.

## 17. CASH AND CASH EQUIVALENTS

Bank balances and cash comprise cash held by the Group and short-term deposits with an original maturity of three months or less. The carrying amount of these assets approximates to their fair value. For the purposes of the statement of cash flows, cash and cash equivalents comprises cash at bank of £2.0m (2023: £6.4m). This differs to the balance sheet value of £45.0m due to the inclusion of the bank borrowing within one year of £43.0m. Chemring has a UK Cash Pooling Arrangement ("UKCPA") which legally allows the netting of the borrowing due within one year against the UK cash balances and the UKCPA is an integral part of cash management.

## 18. BORROWINGS

During the year to 31 October 2024, management has considered the classification of the UKCPA and determined that positive and negative cash positions should not be netted down on the balance sheet as the balances are no longer expected to be settled net. As such, positive balances in the UKCPA have been shown gross in cash and cash equivalents and negative balances are shown within current liabilities as bank borrowings. As at 31 October 2023, the net position of the UKCPA was included as borrowings within non-current liabilities.

Interest accrued on the UKCPA is calculated on the net position.

Borrowings due within one year comprise overdrafts that are repayable on demand.

	2024 £m	2023 £m
<b>Within current liabilities</b>		
Bank borrowings	43.0	—
<b>Borrowings due within one year</b>	43.0	—
<b>Within non-current liabilities</b>		
Bank borrowings	43.7	14.1
Preference shares	0.1	0.1
<b>Borrowings due after more than one year</b>	43.8	14.2
<b>Total borrowings</b>	86.8	14.2

Analysis of borrowings by currency:

	2024 £m	2023 £m
Sterling	71.7	14.2
US dollar	15.1	—
	86.8	14.2



## NOTES TO THE GROUP FINANCIAL STATEMENTS continued

## 18. BORROWINGS continued

The weighted average interest rates paid were as follows:

		2024 %	2023 %
Bank overdrafts		6.3	5.4
UK bank loans	– Sterling denominated	6.6	5.7
	– US dollar denominated	—	1.4

An analysis of borrowings by maturity is as follows:

	2024			2023		
	Bank loans and overdrafts £m	Preference shares £m	Total £m	Bank loans and overdrafts £m	Preference shares £m	Total £m
Borrowings falling due:						
– within one year	43.0	—	43.0	—	—	—
<b>Borrowings due within one year</b>	<b>43.0</b>	<b>—</b>	<b>43.0</b>	<b>—</b>	<b>—</b>	<b>—</b>
Borrowings falling due:						
– within one to two years	—	—	—	—	—	—
– within two to five years	43.7	—	43.7	14.1	—	14.1
– after five years	—	0.1	0.1	—	0.1	0.1
<b>Borrowings due after more than one year</b>	<b>43.7</b>	<b>0.1</b>	<b>43.8</b>	<b>14.1</b>	<b>0.1</b>	<b>14.2</b>
<b>Total borrowings</b>	<b>86.7</b>	<b>0.1</b>	<b>86.8</b>	<b>14.1</b>	<b>0.1</b>	<b>14.2</b>

The Group's principal debt facilities comprise a £150m revolving credit facility up to December 2025, of which £130m has been extended to December 2026. The revolving credit facility was established in July 2021 with a syndicate of six banks. In addition the Group has a US\$20m swingline overdraft facility for use in the US, and in October 2024, the Group entered into a UK Export Finance Export Development Guarantee led by Barclays PLC for up to £80m. This is a four-year, arm's length facility with a one-year draw down period and a three-year amortising repayment schedule. None of the borrowings are secured.

There have been no breaches of the terms of the loan agreements during the current or prior year.

The Group has the following undrawn borrowing facilities available, in respect of which all conditions precedent have been met. Interest costs under these facilities are charged at floating rates.

	2024 £m	2023 £m
<b>Undrawn borrowing facilities</b>	<b>157.4</b>	<b>142.9</b>

The Group is subject to two key financial covenants, which are tested quarterly. These covenants relate to the leverage ratio between “underlying EBITDA” and net debt, and the interest cover ratio between underlying EBITDA and finance costs. The calculation of these ratios involves the translation of non-sterling denominated debt using average, rather than closing, rates of exchange. Therefore the leverage ratio of 0.57 times differs to the ratio of 0.56 times that is disclosed elsewhere in the annual report and accounts, which is calculated using the closing rates of exchange. The Group was in compliance with the covenants throughout the year. The year-end leverage ratio was 0.57 times (covenant limit of 3 times) and the year-end interest cover ratio was 15.28 times (covenant floor of 4 times).

## 19. LEASES

The carrying amount, additions and depreciation charge for right-of-use assets by class of underlying asset is included in note 13.

The expense relating to short-term and low-value leases in the year was £0.8m (2023: £1.3m). In total, payments of £3.3m (2023: £1.8m) were made under leasing contracts. Included in the financing activities section of the cash flow is £2.2m (2023: £1.6m) to repay the principal portion of the lease and £0.3m (2023: £0.2m) to repay lease interest. Included in the operating activities section of the cash flow is £0.8m (2023: £1.3m) relating to short-term and low-value leases. A maturity analysis of the future undiscounted lease payments in respect of the Group's lease liabilities is presented in the table below:

	2024 £m	2023 £m
Lease liabilities falling due:		
– within one year	2.1	1.1
Lease liabilities falling due:		
– within one to two years	1.5	0.8
– within two to five years	5.4	1.9
– more than five years	2.4	3.0
	9.3	5.7
Impact of discounting	(0.4)	(0.2)
<b>Lease liabilities included in balance sheet as at 31 October</b>	<b>11.0</b>	<b>6.6</b>



## 20. GOVERNMENT GRANTS

A total of £24.0m (2023: £nil) of government grants were recognised on the balance sheet at 31 October 2024. The nature of these grants are capital grants towards the construction of certain buildings and equipment. Of the £24.0m of grants held at 31 October 2024, £22.0m (2023: £nil) was received as cash in the current financial year and £nil (2023: £nil) are expected to be recognised as other income within one year.

## 21. TRADE AND OTHER PAYABLES

	2024 £m	2023 £m
<b>Within current liabilities</b>		
Trade payables	27.9	16.3
Other payables	36.2	32.8
Interest payable	—	—
Other tax and social security	6.4	6.4
Advance receipts from customers	78.2	47.2
Accruals	11.0	15.3
Deferred income	3.7	6.0
	<b>163.4</b>	<b>124.0</b>

Other payables of £36.2m (2023: £32.8m) includes payroll-related creditors of £19.1m (2023: £18.1m).

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs.

Advance receipts from customers represent the obligation to transfer goods or services to a customer for which consideration has been received. The amount of £47.2m included in advance receipts from customers recognised at 31 October 2023 has been recognised as revenue in 2024. Of the £78.2m of advanced receipts from customers at 31 October 2024, £26.6m is relevant to goods and services that will be delivered and provided within a year. No revenue was recognised in 2024 from performance obligations satisfied in previous years.

The average credit period taken on purchases of goods is 30 days (2023: 18 days) using year-end trade payables divided by cost of sales. No interest is payable on trade payables from the date of invoice to payment.

## 22. FINANCIAL RISK MANAGEMENT

The Group uses financial instruments to manage financial risk wherever it is appropriate to do so. The main risks addressed by financial instruments are liquidity risk, foreign currency risk, interest rate risk and credit risk. The Group's policies in respect of the management of these risks, which remained unchanged throughout the year, are set out below.

### (a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

The impairment provisions for financial assets disclosed in note 16 "Trade and other receivables" are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history and existing market conditions, as well as forward-looking estimates at the end of each reporting period. Customers are mainly multinational organisations or government agencies with which the Group has long-term business relationships. The Group's principal customers are government defence departments, such as the US Department of Defense ("US DoD") and the UK Ministry of Defence ("UK MOD"), US and UK defence prime contractors, such as BAE Systems, and distributors of products for their onward sale to end users.

The majority of revenue in 2024 related to the US DoD, the UK MOD and the US and UK defence prime contractors, which consistently pay within terms and are deemed low credit risk as a result. For all other customers the Group's policy is to trade under a letter of credit. If there is any doubt over recoverability, the Group's policy is to provide in full for trade receivables outstanding for more than 120 days beyond agreed terms. The balances which might be affected by credit risk are trade receivables, accrued income and cash and cash equivalents.

### (b) Capital management

The Group manages its capital to ensure that all entities in the Group will be able to continue as a going concern while meeting the returns to stakeholders. The capital structure of the Group consists of equity (as disclosed in the consolidated statement of changes in equity), retained earnings, cash and cash equivalents (note 17), a revolving credit facility ("RCF") (note 18) and a UK Export Finance Export Development Guarantee (note 18). The Group seeks to manage its capital through an appropriate mix of these items. The Group's principal debt facilities comprise a £150m revolving credit facility up to December 2025, of which £130m has been extended to December 2026. The revolving credit facility was established in July 2021 with a syndicate of six banks. In addition, we have a US\$20m swingline overdraft facility for use in the US, and in October 2024, the Group entered into a UK Export Finance Export Development Guarantee led by Barclays PLC for up to £80m. This is a four-year, arm's length facility with a one-year draw down period and a three-year amortising repayment schedule. As at 31 October 2024, the RCF was drawn by £45.0m (2023: £15.1m).



## NOTES TO THE GROUP FINANCIAL STATEMENTS continued

## 22. FINANCIAL RISK MANAGEMENT continued

## (c) Financial risk management

The primary risks that the Group is exposed to are liquidity risk, foreign currency risk, interest rate risk and credit risk. It is the Group's policy to manage these risks under the following policies:

## i. Liquidity risk management

Liquidity risk is the risk that the Group does not have sufficient financial resources to meet its obligations as they fall due. The Group manages liquidity risk by maintaining adequate reserves and by continually monitoring forecast and actual cash flows. The Group's policy is to maintain continuity of funding through available cash and cash equivalents and the RCF.

## ii. Foreign currency risk management

The Group's presentational currency is sterling. The Group is subject to exposure on the translation of the assets of foreign subsidiaries, whose functional currencies differ from the Group. The Group's primary balance sheet translation exposures are to the US dollar, Australian dollar and Norwegian krone. The Group minimises the balance sheet translation exposures, where it is practical to do so, by funding subsidiaries with long-term loans, on which exchange differences are taken to reserves. US dollar borrowings held by the Group are treated as a net investment hedge against the US dollar assets of the Group.

The Group faces currency exposures arising from the translation of profits earned in foreign currency. These exposures are not hedged. Exposures also arise from foreign currency denominated trading transactions undertaken by subsidiaries' deemed transactional exposures. The Group's policy is to hedge transactional exposures above £250,000 in the banking market on a one-to-one basis using forward contracts. Below £250,000, the exposures are netted across subsidiaries and any surplus or deficit hedged in the banking market using spot or forward contracts. The Group's policy is that there is no speculative trading in financial instruments. During the year ended 31 October 2024, there were no options or structured derivatives utilised.

## iii. Interest rate risk management

The Group finances its operations through a combination of retained profits and bank borrowings. The UK borrowings are denominated in sterling and US dollars, and at the shorter end are subject to floating rates of interest.

## IFRS 9 Financial Instruments

Chemring Group PLC is not a financial institution and does not have any complex financial instruments. The Group does not apply hedge accounting to derivatives and the Group's customers are generally governments that are considered creditworthy and pay consistently within agreed payment terms.

	2024		2023	
	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m
<b>Assets carried at amortised cost</b>				
Trade receivables	46.1	46.1	41.3	41.3
Accrued income	22.7	22.7	13.6	13.6
Cash and cash equivalents	45.0	45.0	6.4	6.4
<b>Assets carried at fair value</b>				
Derivative financial instruments	0.9	0.9	0.8	0.8
<b>Liabilities carried at fair value</b>				
Derivative financial instruments	(4.4)	(4.4)	(3.5)	(3.5)
<b>Liabilities carried at amortised cost</b>				
Trade payables	(27.9)	(27.9)	(16.3)	(16.3)
Other payables	(36.2)	(36.2)	(32.8)	(32.8)
Interest payable	—	—	—	—
Borrowings	(86.8)	(86.8)	(14.2)	(14.2)

The following items are not financial instruments as defined by IFRS 9:

- (a) prepayments made/advances received (right to receive future goods or services, not cash or a financial asset); or
- (b) tax receivables and payables and similar items (statutory rights and obligations, not contractual); or
- (c) deferred revenue and warranty obligations (obligations to deliver goods and services, not cash or financial assets).



## 23. FINANCIAL INSTRUMENTS

The following table details the fair value of derivative financial instrument assets/(liabilities) recognised in the balance sheet:

	2024 £m	2023 £m
Included in current assets	0.9	0.8
Included in current liabilities	(1.5)	(3.2)
	(0.6)	(2.4)
Included in non-current liabilities	(2.9)	(0.3)
<b>Forward foreign exchange contracts</b>	<b>(3.5)</b>	<b>(2.7)</b>

There was a £2.0m loss (2023: £1.4m gain) on the movement in the fair value of derivative financial instruments recognised in the income statement.

The table below details the remaining contractual maturities of the Group's derivative financial instruments and loans at the reporting date. The amounts are gross and undiscounted and include interest payments estimated based on the conditions existing at the reporting date.

	2024			2023		
	Derivative instruments £m	Loans and overdrafts £m	Total £m	Derivative instruments £m	Loans and overdrafts £m	Total £m
Falling due:						
– within one year	(0.6)	(43.0)	(43.6)	(2.4)	—	(2.4)
– within one to two years	(1.2)	—	(1.2)	(0.3)	—	(0.3)
– within two to five years	(1.7)	(43.8)	(45.5)	—	(14.2)	(14.2)
	(3.5)	(86.8)	(90.3)	(2.7)	(14.2)	(16.9)

A maturity analysis of the contracted cash outflows on lease liabilities is provided in note 19.

### Fair value hierarchy

IFRS 7 *Financial Instruments: Disclosures* requires companies that carry financial instruments at fair value in the balance sheet to disclose their level of hierarchy, determining into which category those financial instruments fall under the fair value hierarchy.

The fair value measurement hierarchy is as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (i.e. as unobservable inputs).

The following tables present the Group's assets and liabilities that are measured at fair value:

	Fair value hierarchy	2024		2023	
		Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
<b>Held at fair value</b>					
Derivative financial instruments – assets	Level 2	0.9	0.9	0.8	0.8
Derivative financial instruments – liabilities	Level 2	(4.4)	(4.4)	(3.5)	(3.5)
		(3.5)	(3.5)	(2.7)	(2.7)

The fair value of derivative financial instruments is estimated by discounting the future contracted cash flow, using readily available market data.





## NOTES TO THE GROUP FINANCIAL STATEMENTS continued

### 23. FINANCIAL INSTRUMENTS continued

#### Sensitivity analysis

For the year ended 31 October 2024 the closing exchange rate for the US dollar was 1.29 (2023: 1.21), Australian dollar was 1.96 (2023: 1.92) and Norwegian krone was 14.18 (2023: 13.56). The average exchange rates were 1.27 (2023: 1.24), 1.95 (2023: 1.91) and 13.69 (2023: 13.10) respectively.

The following table details the Group's sensitivity to a 10% weakening or strengthening of sterling against the US dollar, Australian dollar and Norwegian krone with regard to its income statement. The Group considers a 10% strengthening or weakening of sterling as a reasonably possible change in foreign exchange rates.

	10 per cent weakening of sterling		10 per cent strengthening of sterling	
	2024 £m	2023 £m	2024 £m	2023 £m
<b>Continuing operations</b>				
Revenue	22.8	22.0	(17.8)	(19.7)
Underlying operating profit	1.3	3.3	(0.7)	(2.4)
Interest	—	—	—	—
Underlying profit before tax	1.3	3.3	(0.7)	(2.4)

As at 31 October 2024, 89% of the Group's gross debt was at floating rates. The Group monitors its exposure to movements in interest rates, having regard to prevailing market conditions, and considers the use of interest rate swaps on an ongoing basis to manage this exposure. The Group has not entered into any interest rate swaps as of 31 October 2024.

Based on the closing debt value as at 31 October 2024, a change in interest rates of 1% throughout the year would cause the Group's finance expense to change by £0.9m (2023: £0.2m).

### 24. PROVISIONS

	Legal provision £m	Environmental provision £m	Disposal provision £m	Dilapidations provision £m	Other £m	Total £m
At 1 November 2023	4.0	3.5	9.4	0.7	—	17.6
Released	(3.1)	—	—	(0.1)	—	(3.2)
Provided	—	0.2	6.4	—	0.9	7.5
Foreign exchange adjustments	—	(0.2)	(0.2)	—	—	(0.4)
Paid	(0.6)	—	(1.0)	—	—	(1.6)
<b>At 31 October 2024</b>	<b>0.3</b>	<b>3.5</b>	<b>14.6</b>	<b>0.6</b>	<b>0.9</b>	<b>19.9</b>

These provisions are classified on the balance sheet as follows:

	2024 £m	2023 £m
Included in current liabilities	3.2	5.6
Included in non-current liabilities	16.7	12.0
	<b>19.9</b>	<b>17.6</b>

The legal provision represents the estimated legal liabilities faced by the Group at the balance sheet date. There are uncertainties regarding the range of possible outcomes and timing of cash outflows, dependent on the outcome of court proceedings. During the year £3.1m of legal provisions was released in relation to the Countermeasures UK incident. Further details of the Group's contingent liabilities are set out in note 34.

The environmental provision is held in respect of potential liabilities associated with the Group's facility in Chicago, US. The range of possible outcomes is between £1.2m and £8.1m. There are uncertainties regarding the timing of cash outflows, dependent on the outcome of regulatory proceedings.

The disposal provision principally consists of balances relating to estimated liabilities faced by the Group in respect of the disposal of its European Munitions businesses in 2014 under the terms of their respective sale agreements. During the year, the Group increased its provisions by £6.4m following progress in developing a remediation plan for one of the sites which will be presented to the local regulator. Whilst there is a range of outcomes between £5m–£15m, the directors do not believe there is a reasonable possibility of a material movement from the carrying value in the next year. These are expected to be largely utilised over the next five years.

The dilapidations provision represents the estimated liabilities costs that the Group estimates will be incurred upon vacating properties which are occupied under rental agreements.

Other provisions is held in respect of potential liabilities relating to production licensing at the Group's facility in Norway.

Provisions are subject to uncertainty in respect of the outcome of future events. Legal provisions will be utilised based on the outcome of cases and the level of costs incurred defending the Group's position. Environmental provisions will be utilised based on the outcome of further environmental studies and remediation work. Disposal provisions will be utilised based on the outcome of certain events which are specified in sale and purchase agreements. It is not possible to estimate more accurately the expected timing of any resulting outflows of economic benefits.



## 25. DEFERRED TAX

The following are the principal deferred tax assets/(liabilities) recognised by the Group and movements thereon:

	Accelerated tax depreciation £m	Pensions £m	US interest deductions £m	Tax losses £m	Acquired intangibles £m	Other £m	Total £m
At 1 November 2022	(33.0)	(2.9)	8.1	12.9	(8.4)	10.4	(12.9)
(Charge)/credit to income statement	(1.3)	0.3	(0.2)	5.4	(0.3)	1.8	5.7
Credit/(charge) to other comprehensive income	1.0	1.6	(0.2)	(0.6)	0.2	(0.4)	1.6
Recognised on acquisition	—	—	—	—	(0.6)	—	(0.6)
Recognised directly in equity	—	—	—	—	—	(0.7)	(0.7)
At 31 October 2023	(33.3)	(1.0)	7.7	17.7	(9.1)	11.1	(6.9)
(Charge)/credit to income statement	(2.9)	0.5	0.5	(0.1)	(0.2)	(1.5)	(3.7)
Credit to other comprehensive income	—	0.5	—	—	—	—	0.5
Recognised on acquisition	—	—	—	—	—	—	—
Recognised directly in equity	—	—	—	—	—	(0.2)	(0.2)
<b>At 31 October 2024</b>	<b>(36.2)</b>	<b>—</b>	<b>8.2</b>	<b>17.6</b>	<b>(9.3)</b>	<b>9.4</b>	<b>(10.3)</b>
<b>Analysed as:</b>							
Deferred tax assets	—	—	8.2	17.6	—	9.4	35.2
Deferred tax liabilities	(36.2)	—	—	—	(9.3)	—	(45.5)
<b>At 31 October 2024</b>	<b>(36.2)</b>	<b>—</b>	<b>8.2</b>	<b>17.6</b>	<b>(9.3)</b>	<b>9.4</b>	<b>(10.3)</b>
Deferred tax assets	—	—	7.7	17.7	—	11.5	36.9
Deferred tax liabilities	(33.3)	(1.0)	—	—	(9.1)	(0.4)	(43.8)
At 31 October 2023	(33.3)	(1.0)	7.7	17.7	(9.1)	11.1	(6.9)

Certain deferred tax assets and liabilities have been offset where there is a legally enforceable right to set off deferred tax assets against deferred liabilities that relate to the same fiscal authority. Deferred tax balances before offset are analysed in the table above. After netting off the net deferred tax assets are £7.3m (2023: £36.9m) and net deferred tax liabilities are £17.6m (2023: £43.8m).

Deferred tax balances of £9.2m (2023: £11.1m) within the "Other" category above include temporary differences arising on provisions and accruals.

At the balance sheet date, the Group had unrecognised deferred tax of £0.3m (2023: £0.5m) on gross US State tax losses of £4.6m (2023: £8.3m) and unrecognised deferred tax of £21.7m (2023: £19.7m) on gross interest deductions of £81.0m (2023: £73.7m) as a result of US interest limitation regulations, potentially available for offset against future profits in certain circumstances. The Group also had unrecognised deferred tax of £0.7m (2023: £0.7m) on gross US capital losses of £3.4m (2023: £3.5m). No deferred tax asset has been recognised in respect of these amounts because of the unpredictability of future taxable qualifying profit streams. The aforementioned gross interest deductions are available indefinitely with no fixed expiry date, while the gross tax losses and gross capital losses expire in 2031 and 2026 respectively.

The Group has not recognised any deferred tax liability on temporary differences relating to potentially taxable unremitted earnings of overseas subsidiaries because the Group is in a position to control the timing of the reversal of the temporary differences and none are expected to reverse in the foreseeable future.

## 26. SHARE CAPITAL

	2024 £m	2023 £m
<b>Issued and fully paid</b>		
272,627,634 (2023: 280,842,610) ordinary shares of 1p each	<b>2.7</b>	2.8

During the year 402,267 ordinary shares (2023: 495,671) were issued for cash to employees under the Group's approved savings-related share schemes.

The Company's share capital also includes 62,500 7% cumulative preference shares of £1 each, which are all issued and fully paid up, and are classified for accounting purposes within non-current liabilities. The cumulative preference shares carry an entitlement to a dividend at the rate of 7p per share per annum, payable in equal instalments on 30 April and 31 October each year. Holders of the preference shares have the right on a winding-up to receive, in priority to any other classes of shares, the sum of £1 per share together with any arrears of dividends.

On 1 August 2023, the Company announced a share buyback programme to repurchase up to £50m of its own shares over the following twelve months, and the programme was subsequently extended to 17 December 2024. During 2024, 8,617,243 (2023: 3,194,803) shares were purchased for a total price, including transaction costs, of £27.8m (2023: £9.0m). These shares were subsequently cancelled, with the nominal value of shares cancelled deducted from share capital against the special capital reserve.

As at 31 October 2024, the Group had agreed to further share purchases of £0.4m (2023: £2.9m) that were settled in cash subsequent to the year end. The £0.4m (2023: £2.9m) is included as a liability in trade and other payables (see note 21).



## NOTES TO THE GROUP FINANCIAL STATEMENTS continued

**27. RESERVES**

The share premium account and the special capital reserve are not distributable.

The special capital reserve was created as part of a capital reduction scheme involving the cancellation of the share premium account which was approved by the Court in 1986, in accordance with the requirements of the Companies Act 1985.

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations and the accumulation of gains or losses from the effective portion of hedges of net investments in foreign operations.

Included within retained earnings is £11.5m (2023: £4.3m) of the Company's own shares held by the Group's Employee Share Ownership Plan Trust ("ESOP") which is treated as a branch of the parent company. The ESOP purchased 3,611,952 shares during the year (2023: 1,652,072) and 1,820,850 shares (2023: 2,734,163) were distributed following the vesting of awards under the deferred bonus and performance share plan schemes. The total number of ordinary shares held by the ESOP at 31 October 2024 was 3,152,723 (2023: 1,361,618).

On 1 August 2023, the Company announced a share buyback programme to purchase up to £50m of its own shares over the following twelve months. See note 26 for further details.

Group dividends (note 9) are payable out of the parent company retained earnings as disclosed in the parent company financial statements. This provides cover over the declared final dividend of 5.2p per ordinary share for the year ended 31 October 2024.

**28. SHARE-BASED PAYMENTS**

The Group operates share-based compensation arrangements to provide incentives to the Group's senior management and eligible employees.

The Group recognised a net charge of £9.0m (2023: £7.8m) in respect of share-based payments during the year, of which £3.2m (2023: £3.4m) is included in non-underlying costs.

Details of the three schemes which operated during the year are set out below.

**The Chemring Group Performance Share Plan 2016 (the "2016 PSP")**

Under the 2016 PSP, conditional awards of ordinary shares are made at nil cost to employees. Awards ordinarily vest on the third anniversary of the award date.

	2016 PSP Number of conditional shares	
	2024	2023
Outstanding at the beginning of the year	5,553,280	5,987,329
Awarded	2,131,934	2,290,834
Vested	(1,059,656)	(2,015,696)
Lapsed	(930,607)	(709,187)
<b>Outstanding at the end of the year</b>	<b>5,694,951</b>	<b>5,553,280</b>
<b>Subject to vesting at the end of the year</b>	<b>—</b>	<b>—</b>

The following awards were outstanding at 31 October 2024:

Date of award	Number of ordinary shares under award	Vesting price per share Pence	Date when awards due to vest
15 December 2021	1,871,255	nil	15 December 2024
14 December 2022	1,851,816	nil	14 December 2025
13 December 2023	1,971,880	nil	13 December 2026

The Group has applied a discount to the share-based payments to reflect the anticipated achievement of the stipulated targets for each 2016 PSP award based on the predicted figures within the Group's financial projections and the expected number of leavers over the life of the awards.

The 2016 PSP awards made in the year ended 31 October 2024 had targets based on earnings per share growth, total shareholder return and reduction in the Group's carbon emissions. The awards have been valued using the following modelling inputs. The total shareholder return element was valued using a Monte-Carlo model. Expected volatility was determined by assessing the volatility in share price of the Group and its comparator group of companies over a three-year period prior to the grant date.

	Date awarded		
	13 December 2023	14 December 2022	15 December 2021
Share price at valuation	326p	305p	284p
Exercise price	nil	nil	nil
Risk-free rate	0.5%	0.5%	0.5%
Expected volatility	29.1%	29.1%	29.1%
Fair value	291.1p	272.3p	232.9p

The weighted average fair value of awards made during the year was 291.1p (2023: 272.3p).

In the year ended 31 October 2024 1,059,656 shares vested (2023: 2,015,696). The charge recognised in respect of the awards is based on their fair value at the grant date.



## 28. SHARE-BASED PAYMENTS *continued*

### The Chemring Group 2018 UK Sharesave Plan (the "UK Sharesave Plan")

Options were granted during the year on 1 September 2024.

	2024		2023	
	Number of share options	Weighted average exercise price Pence	Number of share options	Weighted average exercise price Pence
Outstanding at the beginning of the year	2,035,483	236.1	1,878,345	229.3
Granted	716,874	310.0	845,661	264.0
Exercised	(402,267)	224.0	(483,778)	193.5
Lapsed	(212,994)	236.4	(204,745)	240.5
<b>Outstanding at the end of the year</b>	<b>2,137,096</b>	<b>239.5</b>	2,035,483	236.1
<b>Subject to exercise at the end of the year</b>	<b>65,256</b>	<b>229.2</b>	145,218	201.7

The following options were outstanding at 31 October 2024:

Date of award	Number of ordinary shares under award	Exercise price per share Pence	Dates between which options may be exercised
29 July 2019	8,181	154.0	1 October 2024–31 March 2025
30 July 2020	66,827	202.0	1 October 2025–31 March 2026
26 July 2021	57,057	240.0	1 October 2024–31 March 2025
26 July 2021	66,650	240.0	1 October 2026–31 March 2027
1 September 2022	409,122	264.0	1 October 2025–31 March 2026
1 September 2022	69,896	264.0	1 October 2027–31 March 2028
4 August 2023	645,075	228.0	1 October 2026–31 March 2027
4 August 2023	103,378	228.0	1 October 2028–31 March 2029
5 August 2024	571,349	310.0	1 October 2027–31 March 2028
5 August 2024	139,543	310.0	1 October 2029–31 March 2030

The weighted average fair value of options granted in the year was 79.0p (2023: 57.0p). The weighted average fair value of options exercised in the year was 49.7p (2023: 38.9p). The weighted average share price on exercise of the options during the year was 224.0p (2023: 193.5p).

The fair values of the share options in the UK Sharesave Plan are based on the difference between the exercise price and the share price on the grant date of the option.

### Deferred bonus share plan

Under the deferred bonus share plan, deferred awards of ordinary shares are made at nil cost to employees. Awards ordinarily vest on the second or third anniversary of the award date.

	Number of deferred shares	
	2024	2023
Outstanding at the beginning of the year	874,098	937,055
Awarded	307,514	320,288
Vested	(387,821)	(361,932)
Lapsed	(34,076)	(21,313)
<b>Outstanding at the end of the year</b>	<b>759,715</b>	874,098
<b>Subject to vesting at the end of the year</b>	<b>—</b>	—



## NOTES TO THE GROUP FINANCIAL STATEMENTS continued

**28. SHARE-BASED PAYMENTS** continued**Deferred bonus share plan** continued

The following awards were outstanding at 31 October 2024:

Date of award	Number of ordinary shares under award	Share price at valuation Pence	Vesting price per share Pence	Date when awards are due to vest
14 December 2021	170,336	284p	nil	14 December 2024
13 December 2022	93,463	305p	nil	13 December 2024
13 December 2022	204,193	305p	nil	13 December 2025
12 December 2023	98,093	326p	nil	12 December 2025
12 December 2023	193,630	326p	nil	12 December 2026

The fair value of the deferred bonus share awards is based on the share price on the grant date of the award. The weighted average fair value of awards made during the year was 326p (2023: 305p). The Group has applied a discount to the share-based payments to reflect the expected number of leavers over the life of the awards.

**Deferred shares related to acquisition**

Deferred consideration in relation to the acquisition of the Cubica Group of up to £2.0m and in relation to the acquisition of Geollect of up to £7.5m has been accounted for as equity-settled share-based payments under IFRS 2. See note 29 for further detailed disclosure.

**Cubica Group**

The deferred consideration is comprised of two tranches of 326,792 Chemring ordinary shares each, valued at £2m based on the share price on 2 June 2021 of 307p. The first tranche vested on the second anniversary of completion, 2 June 2023, and the second tranche vested on the third anniversary of completion, 2 June 2024.

No further awards were granted during the year ended 31 October 2024 (2023: nil) in respect of the Cubica Group acquisition. 319,921 vested and 6,871 lapsed (2023: 326,792 vested and nil lapsed) in the year. Nil are outstanding at the end of the year (2023: 326,792). Nil were subject to vesting at the end of the year (2023: nil).

The fair value of the deferred share awards is based on the share price on the grant date of the award.

**Geollect**

The deferred consideration is comprised of two tranches of 1,233,552 Chemring ordinary shares each, valued at £7.5m based on the share price on 7 December 2022 of 298.5p. The first tranche will vest on the second anniversary of completion, 7 December 2024, and the second tranche will vest on the third anniversary of completion, 7 December 2025, subject to remaining eligible employees.

No further awards were granted during the year ended 31 October 2024 (2023: 2,467,104). Nil vested or lapsed in the year (2023: nil) and 2,467,104 are outstanding at the end of the year (2023: 2,467,104). Nil were subject to vesting at the end of the year (2023: nil).

The fair value of the deferred share awards is based on the share price on the grant date of the award.

**29. ACQUISITION OF SUBSIDIARY****Acquisitions in the prior year ended 31 October 2023****Acquisition of Geollect Limited**

On 7 December 2022, Chemring Group PLC acquired 100% of the issued shares in Geollect Limited ("Geollect"). Geollect is an international provider of geospatial intelligence consultancy and subscription services. The acquisition was completed for an initial purchase consideration of £7.3m, funded from Chemring's existing bank facilities. Further deferred consideration of up to £7.5m is payable in Chemring 1p ordinary shares in two tranches (subject to the former owners remaining employed in the Chemring Group) on the second and third anniversary of completion.

The deferred consideration of £7.5m is contingent on continued employment of the former owners and has been accounted for as equity-settled share-based payments under IFRS 2, resulting in a charge of £3.2m (2023: £2.8m). This has been classified as non-underlying costs; see note 3 and note 28 for further details.



### 30. RETIREMENT BENEFIT OBLIGATIONS

In the UK, the Group operates a defined benefit scheme (the "Chemring Group Staff Pension Scheme" or "Scheme"). The Group's other UK and overseas pension arrangements are all defined contribution schemes, with a combined cost of £9.4m (2023: £8.4m) for continuing operations.

The Chemring Group Staff Pension Scheme is a funded scheme and the assets of the scheme are held in a separate trustee administered fund. The scheme was closed to future accrual on 6 April 2012. A full actuarial valuation for the scheme as at 6 April 2021 has been updated to 31 October 2024, using the projected unit credit method. The main assumptions for the scheme are detailed below.

The trust deed provides for an unconditional right to a return of surplus assets in the event of a plan wind-up. The trustees are given no rights to unilaterally wind up or augment the benefits due to members of the scheme. Based on these rights, any net surplus in the UK scheme is recognised in full.

#### Pension buy-in arrangement, which is expected to lead to a full buy-out in the future

On 28 November 2023, the trustees of the Scheme (the "Trustees") entered into a buy-in contract with an insurer, Pension Insurance Corporation ("PIC"), to purchase a bulk annuity insurance policy that operates as an investment asset. The buy-in removes future risk associated with funding of the Scheme from the balance sheet, while ensuring the security of benefits for the Scheme members. The buy-in premium was initially funded through the transfer of the majority of the Scheme's assets to PIC, as well as by an upfront contribution from the Group of approximately £1.6m and further contributions of £1.4m were made in the year to 31 October 2024. Overall the Group expects to pay a further c£1.1m over the next twelve to eighteen months to provide funding for the rectification of certain members' benefits and to meet the costs associated with the initial buy-in and eventual buy-out of the Scheme.

Under IAS 19, the insurance policy is typically treated as an investment of the pension scheme, valued at its fair value. Correspondingly, the pension liabilities remain on the balance sheet, with no immediate derecognition of liabilities related to the insured members.

The trustees have exercised judgement in treating the buy-in as a precursor to a full buy-out. A buy-out would involve the full discharge of the pension scheme's obligations to the insured members, transferring all future obligations and risks to the insurance provider.

Consequently a settlement cost of £7.0m and administrative expenses in relation to the buy-in of £0.5m has been recognised as non-underlying costs in the profit and loss account in the year to 31 October 2024.

Under IAS 19, the treatment of the buy-in remains distinct from that of a full buy-out until the legal transfer of liabilities is finalised. Therefore, the insurance policy remains recorded as a scheme asset, and the corresponding liabilities are not derecognised until the buy-out is formally completed.

The purchase of the bulk annuity policy matches the vast majority of the benefits due to be paid from the Fund. Consequently, the difference in the values of the assets and liabilities is mainly the remaining assets after the bulk annuity policy purchase.

The decision to treat the buy-in as a future buy-out is based on the following considerations:

- Management intention: The management is committed to transitioning from the current buy-in to a full buy-out and is actively working towards this outcome.
- Negotiations in progress: Formal discussions and negotiations with the insurer are underway to conclude the buy-out, with the expectation of completion within a reasonable timeframe.
- Economic substance: Even though a legal buy-out has not yet been finalised, the economic substance of the transaction closely aligns with a buy-out, as the insurance policy transfers significant risks and rewards to the insurer.

The movement in the net defined benefit asset is as follows:

	Defined benefit obligations		Defined benefit asset		Net defined benefit asset	
	2024 £m	2023 £m	2024 £m	2023 £m	2024 £m	2023 £m
At 1 November	(56.3)	(60.2)	62.2	71.4	5.9	11.2
<b>Included in profit or loss</b>						
Administrative expenses	—	—	(0.5)	(1.1)	(0.5)	(1.1)
Settlement	—	—	(7.0)	—	(7.0)	—
Net interest (cost)/credit	(2.9)	(3.0)	2.9	3.5	—	0.5
	(2.9)	(3.0)	(4.6)	2.4	(7.5)	(0.6)
<b>Included in other comprehensive income</b>						
Remeasurement (loss)/gain:						
Actuarial (loss)/gain arising from:						
– demographic and financial assumptions	(1.6)	3.8	—	—	(1.6)	3.8
– experience adjustment	(0.3)	(0.4)	—	—	(0.3)	(0.4)
– return on plan assets excluding interest income	—	—	0.6	(8.1)	0.6	(8.1)
	(1.9)	3.4	0.6	(8.1)	(1.3)	(4.7)
<b>Other</b>						
Contributions by the employer	—	—	3.0	—	3.0	—
Net benefits paid out	4.4	3.5	(4.4)	(3.5)	—	—
At 31 October	(56.7)	(56.3)	56.8	62.2	0.1	5.9





## NOTES TO THE GROUP FINANCIAL STATEMENTS continued

## 30. RETIREMENT BENEFIT OBLIGATIONS continued

## Pension buy-in arrangement, which is expected to lead to a full buy-out in the future continued

The Chemring Group Staff Pension Scheme had 796 members at the end of the year (2023: 801). Of these members 62.7% (2023: 59.8%) were pensioners drawing benefits from the scheme and the balance were deferred members. The duration of the liability is long, with pension payments expected to be made for at least the next 40 years. The pension scheme's assets are analysed as follows:

	2024 £m	2023 £m	2024 %	2023 %
Buy-in policy	54.7	—	96.3	—
Liability driven investment	—	33.7	—	54.2
Corporate bonds	—	25.4	—	40.8
Assets held by insurance company	1.0	1.0	1.8	1.6
Cash	1.1	2.1	1.9	3.4
	56.8	62.2	100.0	100.0

The buy-in policy's fair value is determined to be equal to the defined benefit obligation (less any other assets held by the insurance company and any liabilities determined by the actuary which are not included within the buy-in policy) as it is valued using the same assumptions used by the actuary to value the liability. The value of the buy-in policy is £2.0m lower than the value of total obligations as at 31 October 2024 due to £1.0m of other liabilities held for GMP equalisation and NRA equalisation which are not included within the policy and £1.0m of other insurance assets.

As at 31 October 2023, the pension scheme assets were invested in corporate bonds and a portfolio of leveraged liability driven pooled funds designed to hedge interest rate and inflation risk, in preparation of reaching the buy-out position. Liability driven investments and corporate bonds are either pooled or unpooled investment vehicles. Unpooled investment vehicles, which are not quoted on active markets, have been valued at the latest available bid price or single price provided by the pooled investment manager. Where funds are valued weekly, the value is taken as at the week ending immediately before or after the year-end date. Shares in other pooled arrangements have been valued at the latest available net assets value, determined in accordance with fair value principles, provided by the pooled investment manager.

As at 31 October 2023, the scheme's liability matching portfolio was invested in leveraged pooled liability driven investment ("LDI") funds, a liquidity fund and investments in funds with underlying assets in corporate bonds. The trustees target an interest rate and inflation hedge ratio of around 100% (based on the scheme's technical provisions funding basis).

The principal assumptions used in the actuarial valuation of the Chemring Group Staff Pension Scheme were as follows:

	2024 %	2023 %
Discount rate	5.3	5.6
Inflation – RPI	3.6	3.6
– CPI	2.9	2.9

In determining defined benefit obligations, the Group uses mortality assumptions which are based on published mortality tables. For the Chemring Group Staff Pension Scheme, the actuarial table currently used is S3PA tables (series 3 of the SAPS tables) with future improvements in line with CMI 2023 and a 1.25% long-term trend rate. This results in the following life expectancies at age 65:

	2024 No.	2023 No.
Future pensioners – male	87.8	87.9
– female	90.0	90.0
Current pensioners – male	87.0	87.1
– female	88.6	88.7

The most significant assumptions in the pension valuation are the discount rate applied to the liabilities, the inflation rate to be applied to pension payments and the mortality rates. If the discount rate used in determining retirement benefit obligations were to change by 0.1% then it is predicted that the deficit in the scheme would change by approximately £0.7m. A change in the rate of inflation by 0.1% is predicted to change the deficit by approximately £0.3m and a 10% change to the mortality assumption would change the deficit by approximately £1.8m. The principal risks to the scheme are that the investments do not perform as well as expected, the discount rate continues to rise driven by higher market interest rates, short-term movements in inflation, and the rate of improvement in mortality assumed is insufficient and life expectancies continue to rise.

The Group anticipates contributions to the defined benefit scheme for the year ending 31 October 2025 will be £nil (2024: £nil).

In June 2023, the High Court handed down a decision in the case of Virgin Media Limited v NTL Pension Trustees II Limited and others relating to the validity of certain historical pension changes due to the lack of actuarial confirmation required by law. In July 2024, the Court of Appeal dismissed the appeal brought by Virgin Media Ltd against aspects of the June 2023 decision. The conclusions reached by the court in this case may have implications for some UK defined benefit plans.

The Trustee of the Chemring Group Staff Pension Scheme has taken advice from the Scheme's legal advisors regarding the Virgin Media case and has concluded that no action is required at present. The Trustee believes that the Scheme has implemented robust governance processes and has no reason to believe that actuarial confirmation was not obtained for any historical benefit changes. As such, the defined benefit obligation continues to reflect the benefits currently being administered.



### 31. CASH GENERATED FROM OPERATING ACTIVITIES

	Notes	2024 £m	2023 £m
Operating profit from continuing operations		58.1	45.4
Amortisation of development costs	12	1.3	0.7
Amortisation of intangible assets arising from business combinations (non-underlying)	12	2.0	3.0
Amortisation of patents and licences	12	0.3	—
Impairment of development costs	12	—	15.6
Loss on disposal of non-current assets	12	1.7	—
Depreciation of property, plant and equipment	13	21.0	18.6
Non-underlying items	3	11.0	5.2
Share-based payment expense	28	5.8	4.4
Operating cash flows before movements in working capital		101.2	92.9
Increase in inventories		(30.1)	(18.2)
Increase in trade and other receivables		(16.9)	(18.7)
Increase in trade and other payables		41.8	23.7
Increase in provisions		—	0.3
<b>Operating cash flow from continuing underlying operations</b>		<b>96.0</b>	<b>80.0</b>
<b>Discontinued operations</b>			
Operating cash flow from discontinued underlying operations		(1.5)	(0.8)
Cash impact of non-underlying items from discontinued operations		(1.5)	(1.9)
<b>Net cash outflow from discontinued operations</b>		<b>(3.0)</b>	<b>(2.7)</b>

### 32. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2024 £m	2023 £m
Decrease in cash and cash equivalents	(3.9)	(13.7)
Decrease in debt and lease financing due to cash flows	(26.6)	8.8
Increase in net debt resulting from cash flows	(30.5)	(4.9)
Effect of foreign exchange rate changes	(0.3)	0.3
Acquired debt	—	(0.1)
New leases entered into, lease interest and other non-cash movements	(7.2)	(2.1)
Amortisation of debt finance costs	(0.4)	(0.4)
Movement in net debt	(38.4)	(7.2)
Net debt at the beginning of the year	(14.4)	(7.2)
<b>Net debt at the end of the year</b>	<b>(52.8)</b>	<b>(14.4)</b>



## NOTES TO THE GROUP FINANCIAL STATEMENTS continued

### 33. ANALYSIS OF NET DEBT

	At 1 November 2023 £m	Cash flows £m	Non-cash changes £m	Exchange rate effects £m	At 31 October 2024 £m
Cash and cash equivalents (including bank overdraft)	6.4	(3.9)	—	(0.5)	2.0
Debt due after one year	(14.1)	(29.1)	(0.6)	0.1	(43.7)
Preference shares	(0.1)	—	—	—	(0.1)
	(7.8)	(33.0)	(0.6)	(0.4)	(41.8)
Lease liabilities	(6.6)	2.5	(7.0)	0.1	(11.0)
	(14.4)	(30.5)	(7.6)	(0.3)	(52.8)

Accrued interest is included in the carrying amount of interest payable (note 21) measured at amortised cost and therefore is not presented as a separate line item in the above table.

### 34. CONTINGENT LIABILITIES

The Group is, from time to time, party to legal proceedings and claims, which arise in the ordinary course of business. In addition, the Group enters into various guarantee and performance bond arrangements in the ordinary course of business. Provision is made for any amounts that the directors reasonably consider may become payable (see note 24). The Group believes that any significant liability in respect of guarantee and performance bond arrangements, and legal proceedings and claims not already provided for, is remote.

#### Countermeasures UK incident

On 10 August 2018, an incident occurred at our Countermeasures facility in Salisbury. The Group responded to support those who were injured and all related claims by employees were settled under our employers' liability insurance. We also fully supported the UK Health and Safety Executive with its investigation. The business pleaded guilty to a breach of section 2(1) of the Health and Safety at Work Act 1974 in connection with the incident and on 27 June 2024 was fined £613,075. This matter is now closed.

### 35. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions with the Group's pension schemes are disclosed in note 30.

#### Remuneration of key management personnel

The directors of the Company had no material transactions with the Company during the year, other than in connection with their service agreements. The remuneration of the executive directors is determined by the Remuneration Committee, having regard to the performance of the individuals and market trends. The remuneration of the non-executive directors is determined by the Board, having regard to the practice of other companies and the particular demands of the Group.

For the purposes of remuneration disclosure, key management personnel includes only the directors and excludes the other senior business managers and members of the Executive Committee. Further information on the remuneration of individual directors is provided in the audited part of the directors' remuneration report on pages 121 to 130.

Total emoluments for key management personnel charged to the consolidated income statement were:

	2024 £m	2023 £m
Short-term employee benefits	2.8	2.9
Post-employment benefits	0.1	0.1
Share-based payment benefits	3.2	1.6
<b>Total remuneration of key management personnel</b>	<b>6.1</b>	<b>4.6</b>

### 36. POST BALANCE SHEET EVENTS

There were no events after the balance sheet date requiring disclosure.

**PARENT COMPANY BALANCE SHEET**

As at 31 October 2024

		2024		2023	
	Note	£m	£m	£m	£m
Non-current assets					
Property, plant and equipment	1	0.3		0.4	
Investments in subsidiaries	2	786.0		786.0	
Retirement benefit surplus	10	0.1		3.1	
Deferred tax	9	1.3		0.6	
			787.7		790.1
Current assets					
Trade and other receivables	3	28.1		14.6	
Cash and cash equivalents		0.3		0.3	
			28.4		14.9
Total assets			816.1		805.0
Current liabilities					
Borrowings	5	(28.2)		—	
Trade and other payables	4	(34.2)		(36.9)	
			(62.4)		(36.9)
Non-current liabilities					
Borrowings	5	(43.7)		(30.0)	
Trade and other payables	4	(2.9)		(0.3)	
Provisions	6	(14.6)		(9.1)	
Preference shares	7	(0.1)		(0.1)	
			(61.3)		(39.5)
Total liabilities			(123.7)		(76.4)
Net assets			692.4		728.6
Equity					
Share capital	8		2.7		2.8
Share premium account			309.0		308.7
Special capital reserve			13.0		12.9
Retained earnings			367.7		404.2
Total equity			692.4		728.6

**Profit attributable to shareholders**

In accordance with the concession granted under section 408 of the Companies Act 2006, the profit and loss account of Chemring Group PLC has not been presented separately in these financial statements. There is no material difference between the results disclosed and the results on an unmodified historical cost basis. The Company reported a profit for the year ended 31 October 2024 of £15.1m (2023: £11.0m).

These financial statements of Chemring Group PLC (registered number 86662) were approved and authorised for issue by the Board of directors on 17 December 2024.

Signed on behalf of the Board

**Michael Ord**  
Director

**James Mortensen**  
Director

**PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 October 2024

	2024 £m	2023 £m
<b>Profit after tax attributable to equity holders of the parent as reported</b>	<b>15.1</b>	11.0
<b>Items that will not be reclassified subsequently to profit and loss</b>		
Remeasurement of the defined benefit pension scheme, net of deferred tax	(2.1)	(1.6)
<b>Total comprehensive income attributable to the equity holders of the parent</b>	<b>13.0</b>	9.4

**PARENT COMPANY STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 October 2024

	Share capital £m	Share premium account £m	Special capital reserve £m	Retained earnings £m	Total £m
At 1 November 2023	2.8	308.7	12.9	404.2	728.6
Profit after tax	—	—	—	15.1	15.1
Other comprehensive loss	—	—	—	(2.1)	(2.1)
Total comprehensive income	—	—	—	13.0	13.0
Ordinary shares issued	—	0.3	—	—	0.3
Share-based payments (net of settlement)	—	—	—	8.7	8.7
Deferred tax on share-based payments	—	—	—	(0.2)	(0.2)
Dividends paid	—	—	—	(19.6)	(19.6)
Purchase of own shares	(0.1)	—	0.1	(38.4)	(38.4)
<b>At 31 October 2024</b>	<b>2.7</b>	<b>309.0</b>	<b>13.0</b>	<b>367.7</b>	<b>692.4</b>

	Share capital £m	Share premium account £m	Special capital reserve £m	Retained earnings £m	Total £m
At 1 November 2022	2.8	307.7	12.9	422.0	745.4
Profit after tax	—	—	—	11.0	11.0
Other comprehensive loss	—	—	—	(1.6)	(1.6)
Total comprehensive income	—	—	—	9.4	9.4
Ordinary shares issued	—	1.0	—	—	1.0
Share-based payments (net of settlement)	—	—	—	7.6	7.6
Deferred tax on share-based payments	—	—	—	(0.6)	(0.6)
Dividends paid	—	—	—	(17.3)	(17.3)
Purchase of own shares	—	—	—	(16.9)	(16.9)
At 31 October 2023	2.8	308.7	12.9	404.2	728.6

The auditor's remuneration for audit and other services is disclosed in note 4 to the Group financial statements.

A final dividend of 5.2p per ordinary share has been proposed. See note 9 to the Group financial statements.

As at 31 October 2024 the Company had distributable reserves of £367.7m (2023: £404.2m). When required, the Company can receive dividends from its subsidiaries to further increase distributable reserves.

Included within retained earnings is the Company's own shares held by the Group's Employee Share Ownership Plan Trust ("ESOP"); see note 27 of the Group financial statements for details.



## NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

### 1. PROPERTY, PLANT AND EQUIPMENT

Detailed disclosure of property, plant and equipment was not considered necessary due to its immaterial value. The Company had no capital commitments as at 31 October 2024 or 31 October 2023.

### 2. INVESTMENTS IN SUBSIDIARIES

	Shares in subsidiary undertakings £m
<b>Cost</b>	
At 31 October 2023	922.2
Additions	—
<b>At 31 October 2024</b>	<b>922.2</b>
<b>Impairment</b>	
At 31 October 2023	(136.2)
Impairment	—
<b>At 31 October 2024</b>	<b>(136.2)</b>
<b>Carrying amount</b>	
<b>At 31 October 2024</b>	<b>786.0</b>
At 31 October 2023	786.0

Investment values are allocated to their respective legal entities. Where the investment value relates to an intermediate holding company, the subsidiaries of that holding company are used to support the carrying value.

The Company tests investments at least annually for impairment. Tests are conducted more frequently if there are indications that investments might be impaired. There were no impairment indicators identified during the year ended 31 October 2024. The recoverable amounts of the CGUs are determined from value-in-use calculations. In determining the value in use, we have allocated central costs necessary to generate the underlying cash flows. The key assumptions for the value-in-use calculations have been individually estimated for each CGU and are detailed in note 11 of the Group financial statements. All of the CGUs referred to in note 11 represent either investments held directly by the Company or investments held by an intermediate holding company, in which case the value-in-use of those CGUs in aggregation is used to support the carrying value of the intermediate holding company. The pre-tax discount rates used for the CGUs ranged from 11.6% to 13.9% (2023: 11.6% to 12.9%).

Stress testing was performed on the forecasts to consider the impact of reasonably possible scenarios over the forecast period, including a 1% increase in discount rate, a 1% reduction in long-term growth rate, a 10% fall in the forecast cash flows or a \$0.10 weakening in the sterling to US dollar exchange rate. Even under any of these circumstances, no CGUs would require an impairment against goodwill.

Details of the Group undertakings at 31 October 2024 are set out in note 14 to the Group financial statements. The Company has given a parental guarantee under section 479A of the Companies Act 2006 to certain subsidiary undertakings, details of which are also set out in note 14 to the Group financial statements.

The directors consider that the carrying value of the investments does not exceed their fair value.

### 3. TRADE AND OTHER RECEIVABLES

	2024 £m	2023 £m
<b>Within current assets</b>		
Amounts owed by subsidiary undertakings	26.3	12.9
Derivative financial instruments (note 23 to the Group financial statements)	0.9	0.7
Prepayments and accrued income	0.6	0.7
Other debtors	0.3	0.3
	<b>28.1</b>	<b>14.6</b>

The directors consider that the carrying value of the trade and other receivables approximates to their fair value.

Interest on amounts owed by subsidiary undertakings is charged between 0% and 8%. No interest is charged on trade and other receivables from the date of invoice to payment. Expected credit losses on financial assets are not material.





## NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS continued

## 4. TRADE AND OTHER PAYABLES

	2024 £m	2023 £m
<b>Within current liabilities</b>		
Derivative financial instruments (note 23 to the Group financial statements)	1.5	3.2
Trade payables	0.5	0.2
Amounts owed to subsidiary undertakings	26.7	25.7
Other payables	5.2	7.8
Corporation tax	0.3	—
	<b>34.2</b>	<b>36.9</b>
<b>Within non-current liabilities</b>		
Derivative financial instruments (note 23 to the Group financial statements)	2.9	0.3
	<b>37.1</b>	<b>37.2</b>

Other payables of £5.2m (2023: £7.8m) includes payroll-related creditors of £3.3m (2023: £3.6m).

Interest on amounts owed to subsidiary undertakings attracts interest rates between 0% and 5%. No interest is payable on trade payables from the date of invoice to payment.

## 5. BORROWINGS

During the year to 31 October 2024, management has considered the classification of the UK Cash Pooling Arrangement ("UKCPA") and determined that positive and negative cash positions should not be netted down on the balance sheet as the balances are no longer expected to be settled net. As such, positive balances in the UKCPA have been shown gross in cash and cash equivalents and negative balances are shown within current liabilities as bank borrowings. As at 31 October 2023, the net position of the UKCPA was included as borrowings within non-current liabilities.

Interest accrued on the UKCPA is calculated on the net position.

Borrowings due within one year comprise overdrafts that are repayable on demand.

	2024 £m	2023 £m
<b>Within current liabilities</b>		
Bank borrowings – sterling denominated	28.2	—
<b>Borrowings due within one year</b>	<b>28.2</b>	<b>—</b>
<b>Within non-current liabilities</b>		
Bank borrowings – sterling denominated	43.7	30.0
<b>Borrowings due after more than one year</b>	<b>43.7</b>	<b>30.0</b>
<b>Total borrowings</b>	<b>71.9</b>	<b>30.0</b>

An analysis of borrowings by maturity is as follows:

	2024 £m	2023 £m
Borrowings falling due:		
– less than one year	28.2	—
– within one to two years	—	—
– within two to five years	43.7	30.0
	<b>71.9</b>	<b>30.0</b>

The interest incurred on the above borrowings is detailed within notes 7 and 18 to the Group financial statements. As at 31 October 2024, sterling denominated borrowings related to drawdowns on the revolving credit facility which carried interest at 6.47%.



## 6. PROVISIONS

	Total £m
At 1 November 2023	9.1
Provided	6.4
Foreign exchange	(0.2)
Paid	(0.7)
<b>At 31 October 2024</b>	<b>14.6</b>

It is not possible to estimate more accurately the expected timing of any resulting outflows of economic benefits. Total provisions include legal provisions of £0.2m, which represent the estimated legal costs relating to ongoing investigations, and disposal provisions of £14.4m, which relate to estimated liabilities faced by the Company in respect of the disposal of its European Munitions businesses in 2014 under the terms of their respective sale agreements. See note 24 to the Group financial statements for further details.

## 7. PREFERENCE SHARES

	2024 £m	2023 £m
<b>Cumulative preference shares (62,500 shares of £1 each)</b>	<b>0.1</b>	0.1

The cumulative preference shares carry an entitlement to a dividend at the rate of 7p per share per annum, payable in equal instalments on 30 April and 31 October each year. Holders of the preference shares have the right on a winding-up to receive, in priority to any other classes of shares, the sum of £1 per share together with any arrears of dividends.

## 8. SHARE CAPITAL

	Total £m
<b>As at 1 November 2023</b>	280,824,610
Cancelled shares under the share buyback programme (note 26)	(8,617,243)
Issued to employees under savings-related share schemes	402,267
<b>Total number of ordinary shares of 1p each</b>	<b>272,627,634</b>

	2024 £m	2023 £m
<b>Issued, allotted and fully paid</b>		
272,627,634 (2023: 280,842,610) ordinary shares of 1p each	<b>2.7</b>	2.8

During the year, 402,267 ordinary shares (2023: 495,671) were issued for cash to employees under the Group's approved savings-related share schemes.

On 1 August 2023, the Company announced a share buyback programme to repurchase up to £50m of its own shares over the following 12 months. See note 26 to the Group financial statements for further details.

The preference shares are presented as a liability and accordingly are excluded from called-up share capital in the balance sheet.

### Share-based incentive schemes

Full details of the schemes are set out in note 28 to the Group financial statements.

## 9. DEFERRED TAX

	2024 £m	2023 £m
At the beginning of the year	0.6	0.8
Credit/(charge) to income statement	0.7	(1.0)
Credit to other comprehensive income	—	0.8
<b>Deferred tax asset at the end of the year</b>	<b>1.3</b>	0.6
<b>The amount provided represents:</b>		
Pension	—	(0.8)
Other temporary differences	1.3	1.4
	<b>1.3</b>	0.6

At the balance sheet date, the Company had unrecognised tax losses of £nil (2023: £nil) potentially available for offset against future profits in certain circumstances.



## NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS continued

**10. RETIREMENT BENEFIT OBLIGATIONS**

The Company has assumed its share of the assets and liabilities of the Group's defined benefit pension scheme. An analysis of the balance is shown below:

	Total £m
At 1 November 2022, retirement benefit surplus	5.8
Contributions	—
Other finance costs	(0.3)
Actuarial movements	(2.4)
At 31 October 2023, retirement benefit surplus	3.1
Contributions	3.0
Settlement loss	(3.9)
Actuarial movements	(2.1)
<b>At 31 October 2024, retirement benefit surplus</b>	<b>0.1</b>

Further details are set out in note 30 to the Group financial statements.

**11. STAFF COSTS**

	2024 Number	2023 Number
Average monthly number of total employees (including executive directors)	33	34

The costs incurred in respect of these employees (including share-based payments) were:

	2024 £m	2023 £m
Wages and salaries	6.5	6.6
Social security costs	0.8	0.8
Other pension costs	0.5	0.5
Share-based payment	3.3	5.6
	<b>11.1</b>	13.5

Disclosures in respect of directors' emoluments can be found in the directors' remuneration report on pages 106 to 133.



## ACCOUNTING POLICIES

## 1. GENERAL INFORMATION

Chemring Group PLC is a company incorporated in England and Wales under registration number 86662. The address of the registered office is Roke Manor, Old Salisbury Lane, Romsey, Hampshire SO51 0ZN. The nature of the Group's operations and its principal activities are set out in note 2 of the Group financial statements and in the directors' report on pages 134 to 136. These financial statements are the consolidated financial statements of Chemring Group PLC and its subsidiaries (the "Group").

Chemring Group PLC and the companies in which it directly and indirectly owns investments are separate and distinct entities. In this publication of the annual report and accounts, the collective expressions "Chemring" and "the Group" may be used for convenience where reference is made in general to those companies. Likewise, the words "we", "us", "our" and "ourselves" are used in some places to refer to the subsidiaries of the Group in general. These expressions are also used where no useful purpose is served by identifying any particular company or companies.

The financial statements are presented in pounds sterling, being the currency of the primary economic environment in which the Group operates, and rounded to the nearest £0.1m. Foreign operations are included in accordance with the foreign currencies accounting policy.

## Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Group and the Company have adequate resources to continue to adopt the going concern basis of accounting in preparing these financial statements. Further detail is contained in the statement on going concern on page 83 which forms part of these financial statements.

## 2. ADOPTION OF NEW AND REVISED STANDARDS

The following standards, amendments and interpretations have been issued by the International Accounting Standards Board ("IASB") or by the IFRS Interpretations Committee. The Group's approach to these is as follows:

- i) There were no IFRS Interpretations Committee ("IFRIC") interpretations, amendments to existing standards or new standards adopted in the year ended 31 October 2024 that have materially impacted the reported results or the financial position.
- ii) The following IFRIC interpretations, amendments to existing standards and new standards were adopted in the year ended 31 October 2024 but have not materially impacted the reported results or the financial position:
  - > IFRS 17 *Insurance Contracts*;
  - > Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
  - > Definition of Accounting Estimates (Amendments to IAS 8); and
  - > Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).
- iii) At the date of authorisation of this announcement, the following standards and interpretations that are potentially relevant to the Group and which have not yet been applied in these reported results were in issue but not yet effective (and in some cases had not yet been adopted by the UK Endorsement Board):

## Effective for periods beginning on or after 1 January 2024

- > Classification of liabilities as Current or Non-current (Amendments to IAS 1);
- > Non-current liabilities with covenants (Amendments to IAS 1);
- > Supplier finance (Amendments to IAS 7 and IFRS 7);
- > Financial instrument disclosures (Amendments to IFRS 17);
- > General Requirements for Disclosure of Sustainability-related Financial Information (IFRS S1); and Climate-related Disclosures (IFRS S2).

## Effective for periods beginning on or after 1 January 2025

- > Lack of exchangeability (Amendments to IAS 21).

## Effective for periods beginning on or after 1 January 2026

- > Classification and measurement of financial instruments (Amendments to IFRS 9); and
- > Annual improvements to IFRS Standards.

## Effective for periods beginning on or after 1 January 2027

- > IFRS 18 *Presentation and Disclosure in Financial Statements*; and
- > IFRS 19 *Subsidiaries without Public Accountability: Disclosures*.

The directors do not expect the adoption of these standards and interpretations will have a material impact on the results of the Group in future periods.

## 3. GROUP ACCOUNTING POLICIES

## Basis of preparation

These financial statements have been prepared in accordance with UK-adopted international accounting standards ("UK-adopted IFRS") in conformity with the requirements of the Companies Act 2006.

The financial statements are prepared under the historical cost convention, except as described below under the heading of "Derivative financial instruments".

The accounting policies adopted have been applied consistently throughout the current and previous year.

## Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiaries. Subsidiaries are entities controlled by the Group. The Group "controls" an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The Company considers that it has the power to govern the financial and operating policies of the US entities falling within the Special Security Agreement and these entities have therefore been consolidated in these financial statements.

The Company and all of its subsidiaries make up their financial statements to the same date. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

## Non-controlling interest

The Group recognises non-controlling interest in an acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. For non-controlling interests that the Group holds, the Group elected to recognise the non-controlling interests at its proportionate share of the acquired net identifiable assets.

Q6 Holdings Limited, a wholly owned subsidiary of Chemring Group PLC, owns 80% of the issued shares of Vigil AI Limited. Disclosure of the minority interest on the face of the primary statements has not been included as this is considered immaterial to the Group. As at 31 October 2024, profit after tax, total comprehensive income and equity attributable to minority interests were less than £0.1m.



## ACCOUNTING POLICIES continued

### 3. GROUP ACCOUNTING POLICIES continued

#### Revenue recognition

Chemring is organised into two sectors, Sensors & Information and Countermeasures & Energetics.

From a revenue recognition perspective, whilst Chemring operates across the whole lifecycle of its products and services, these are generally awarded by its customers as individual contracts for the different stages rather than being large, complex, long-term framework agreements requiring extensive consideration of price allocation and performance obligations. As a result we are less susceptible to judgements over revenue recognition regarding contract performance, modifications and cancellations.

Whilst as a Group we aim to develop products which can be sold on to multiple end users and markets, in some instances the nature of products and services are unique to a customer and may not have an alternative use at the point of production. In such cases, where an enforceable right to payment exists, revenue will be recognised over time.

From time to time we enter into contracts for “customer-funded R&D” where Chemring provides a service towards the development of a technology for a customer resulting in revenue. In certain instances, Chemring partly funds the development effort and this can result in the recognition of a controlled asset.

#### Contracts

The majority of the Group's revenue arises from the manufacture and shipment of goods.

Sales contracts are reviewed for performance obligations but the principal driver for timing of revenue recognition is delivery obligations, typically based on Incoterms. Certain contracts may also require customer acceptance testing. Once the relevant delivery obligation has been met and, as applicable, customer acceptance received, revenue can be recognised.

The timing of payment from customers is generally aligned to revenue recognition, though on certain contracts advance receipts are received as disclosed in note 21. This also applies to sales where there are no goods shipped but a deliverable is completed at a certain point in time, such as the issue of a report where there is no enforceable right to payment for work in progress.

In a smaller number of cases, revenue also arises from milestone contracts that contain multiple performance obligations. Often these contracts are already divided into milestones for payment purposes, but judgement is required when assessing the way the contract is divided up to ensure that each element is a separate and valid performance obligation. If they are not, the relevant revenue amount is allocated across the other obligations as appropriate. In some cases milestones are achieved in one period but not billed until the next period, leading to a timing difference with the recognition of revenue in advance of customer billing. In this instance accrued income is recognised as described in note 16. There are no contracts with a significant financing component.

At the start of the contract, the total transaction price is estimated as the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods and services to the customer, excluding sales taxes. This is based on the agreed contract price, with no material claims and incentive payment terms, and therefore significant judgement to determine the transaction price is not required. Typically our contracts do not have any material variable consideration and no significant judgement has been required around the extent to which this ought to be recognised. The total transaction price is allocated to the performance obligations identified in the contract in proportion to their relative stand-alone selling prices, where stand-alone selling prices are typically estimated based on expected costs plus contract margin.

The Group provides warranties to its customers to give them assurance that its products and services will function in line with agreed-upon specifications. Warranties are not provided separately and, therefore, do not represent separate performance obligations.

A number of sales contracts allow for bill and hold arrangements, where the customer has bought the goods but has not yet taken physical possession. This usually arises when the customer has limited storage space or there have been delays in their own production schedule. For such revenue to be recognised the bill and hold arrangement must be substantive and the relevant goods must be clearly identified as belonging to the customer and ready for immediate shipment at the customer's request. These categories of sales are common across all segments.

In its ordinary business the Group enters into contracts with government defence agencies where, from time to time, judgement is required in order to determine if the arrangement is that of a supply of goods and services to be accounted for under IFRS 15 or a government grant to be accounted for under IAS 20. Such arrangements require a consideration of the wider economics of the contractual arrangement as well as critical evaluation against the scope criteria of each of the above accounting standards.

Where a contract includes transactions that should be accounted for other than as revenue or expenses based on their nature, these transactions are presented in accordance with the applicable accounting standard. In the instance that this results in the acquisition of assets on receipt of a government grant, the transactions will be accounted for following our government grants accounting policy.

Qualifying costs to obtain a contract are not material across the Group.

#### Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has identified a sales contract with a customer;
- the performance obligations within this contract have been identified;
- the transaction price has been determined;
- this transaction price has been allocated to the performance obligations in the contract; and
- revenue is recognised as or when each performance obligation is satisfied.

Performance obligations are satisfied when the customer gains control of promised goods or services from the contract. Customers do not typically gain a right of return of goods.

#### Rendering of services

Revenue from a contract to provide services, including customer-funded research and development, is recognised by reference to the stage of completion of the contract. Stage of completion is typically estimated by either the proportion of contract costs incurred for work performed to date or completion of relevant milestones where this faithfully depicts the transfer of control of the goods and services to the customer and does not significantly differ from using the proportion of contract costs incurred basis.

Another significant source of Group revenue, especially within the Sensors & Information segment, arises from time and materials contracts, where revenue is typically accrued and billed in the following month based on work performed to date, following which payment is typically promptly received.



### 3. GROUP ACCOUNTING POLICIES continued

#### Revenue recognition continued

##### Principal versus agent assessment

The Group enters into certain arrangements which involve a consortium of service providers. The Group acts as a “prime” contractor in certain contracts with customers and utilises sub-contractors to undertake the work. Under these contracts the Group is considered to be primarily responsible for fulfilling the service to the customer. The Group performs a technical assessment of the work before it is delivered to the customer and is responsible for quality and performance of the sub-contractor. As such the Group is considered to be the principal to the arrangement with the customer and includes sub-contractor costs within revenue. However, where the Group is merely acting as an agent of a sub-contractor then no revenue is recognised in respect of sub-contractor costs.

All consortium arrangements are assessed by the Group to determine if it is the principal or agent considering who is responsible for fulfilling the performance obligation, who bears inventory risk and who has price discretion.

##### Contract assets and liabilities

As described above, on some contracts there is a timing difference between the recognition of revenue and the customer billing. Where this is the case, contract asset and liability balances are recognised, referred to as accrued income or deferred income and advance receipts from customers in the financial statements.

#### Acquisitions and disposals

On acquisition of a subsidiary, associate or jointly controlled entity, the cost is measured as the fair value of the consideration. The assets, liabilities and contingent liabilities of subsidiary undertakings that meet the IFRS 3 (Revised) *Business Combinations* recognition criteria are measured at the fair value at the date of acquisition, except that:

- deferred tax assets or liabilities, and liabilities or assets relating to employee benefit arrangements, are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 (Revised) *Employee Benefits* respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 *Share-based Payments*; and
- assets (or disposal groups) that are classified as held for sale, in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, are measured in accordance with that standard.

Where cost exceeds fair value of the net assets acquired, the difference is recorded as goodwill.

Where the fair value of the net assets exceeds the cost, the difference is recorded directly in the income statement. The accounting policies of subsidiary undertakings are changed where necessary to be consistent with those of the Group.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities recognised, to reflect new information obtained about facts and circumstances that existed as at the acquisition date that, if known, would have affected the amounts recognised as at that date.

The measurement period runs from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as at the acquisition date, subject to a maximum period of one year.

In accordance with IFRS 3 (Revised) *Business Combinations*, acquisition and disposal-related items are recognised through the income statement. Acquisition and disposal-related items refer to credits and costs associated with the acquisition and disposal of businesses, together with the costs of aborted bids and the establishment of joint ventures.

#### Discontinued operations and assets held for sale

When the Group makes a decision to exit a significant business unit or separate major line of business, the associated operations and cash flows are classified as discontinued operations in the financial statements, in accordance with the provisions of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

These discontinued operations may represent components of the Group that have already been disposed of or are classified as held for sale.

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sales transaction rather than continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify as a completed sale within one year from the date of classification.

#### Intangible assets – goodwill

The purchased goodwill of the Group is regarded as having an indefinite useful economic life and, in accordance with IAS 36 *Impairment of Assets*, is not amortised but is subject to annual tests for impairment. On disposal of a subsidiary, associate or jointly controlled entity, the amount attributable to goodwill is included in the determination of the profit or loss on disposal.

#### Acquired intangibles

The Group recognises, separately from goodwill, intangible assets that are separable or arise from contractual or other legal rights and whose fair value can be measured reliably. These intangible assets are amortised at rates calculated to write down their cost or valuation to their estimated residual values by equal instalments over their estimated useful economic lives, which are:

- technology – average of ten years
- customer relationships – average of ten years

#### Development costs

Development costs that qualify as intangible assets are capitalised as incurred and, once the relevant intangible asset is ready for use, are amortised on a straight-line basis over their estimated useful lives, averaging ten years (2023: ten years).

The carrying value of development assets is assessed for recoverability at least annually or when a trigger is identified.

#### Patents and licences

Patents and licences are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives, averaging five years (2023: six years).

#### Property, plant and equipment

Land and buildings, property, plant and equipment is held at cost less accumulated depreciation and any recognised impairment loss. Borrowing costs on significant capital expenditure projects are capitalised and allocated to the cost of the project.

No depreciation is provided on freehold land. On other assets, depreciation is provided at rates calculated to write down their cost to their estimated residual values by equal instalments over their estimated useful economic lives, which are:

- freehold buildings – up to fifty years
- leasehold buildings – the period of the lease
- plant and equipment – up to ten years





## ACCOUNTING POLICIES continued

### 3. GROUP ACCOUNTING POLICIES continued

#### Impairment of non-current assets

Assets that have indefinite lives are allocated to the Group's cash-generating units and tested for impairment at least annually. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever changes in circumstances indicate that the carrying value may not be recoverable. To the extent that the carrying value exceeds the recoverable amount, an impairment loss is recorded for the difference as an expense in the income statement. The recoverable amount used for impairment testing is the higher of the value-in-use and the asset's fair value less costs of disposal. For the purpose of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

#### Inventories

Inventories are recorded at the lower of cost and net realisable value. Cost represents materials, direct labour, other direct costs and related overheads, and is determined using a weighted average cost basis. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal.

Provision is made for slow-moving, obsolete and defective items where appropriate.

#### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to prepare for their intended use, are added to the cost of those assets, until such time as the assets are ready for their intended use. Once the assets are ready for their intended use, these capitalised borrowing costs are depreciated in line with the underlying asset.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

#### Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants for staff retraining costs are recognised as deferred income over the periods necessary to match them with the related costs and are deducted in reporting the related expense.

The Group initially recognises government grants received relating to the construction or acquisition of assets as deferred income at fair value, if there is reasonable assurance that they will be received and the Group complies with the conditions associated with the grant. Grants related to the acquisition of assets are recognised in profit and loss as other income on a systematic basis over the useful life of the asset.

#### Tax

The tax expense represents the sum of current tax and deferred tax.

Current tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it excludes items of income or expense that are never taxable or deductible.

The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax represents amounts expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable taxable profits will be available in the future against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except where it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, when they relate to income taxed by the same tax authority, and when the Group intends to settle its current tax assets and liabilities on a net basis.

#### Special capital reserve

The special capital reserve was created as part of a capital reduction scheme involving the cancellation of the share premium account which was approved by the Court in 1986, in accordance with the requirements of the Companies Act 1985.

Any repurchase of the Company's ordinary shares as permitted under Companies Act 2006 is credited to this reserve.

#### Foreign currencies

The individual financial statements of each Group company are presented in its functional currency, being the currency of the primary economic environment in which it operates. For the purpose of these Group financial statements, the results and financial position of each Group company are expressed in pounds sterling, which is the functional currency of the Company, and the presentation currency for these financial statements.

In preparing the financial statements of each Group company, transactions in foreign currencies, being currencies other than the entity's functional currency, are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items are included in the income statement for the period.

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward foreign exchange contracts which are accounted for as derivative financial instruments (see below for details of the Group's accounting policies in respect of such derivative financial instruments).

For the purpose of presenting these financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

#### Financial instruments

Financial assets and liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.



### 3. GROUP ACCOUNTING POLICIES continued

#### Financial assets

##### Trade receivables

Trade receivables do not carry any interest and are stated at their fair value and amortised cost as reduced by appropriate allowances for expected credit losses.

##### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

#### Financial liabilities and derivative financial instruments

##### Financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

##### Bank borrowings

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, and direct issue costs are accounted for on an accruals basis in the income statement using the effective interest method, and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

##### Trade payables

Trade payables are not interest bearing and are stated at their fair value and amortised cost.

##### Derivative financial instruments

The Group's activities expose it to the financial risks of foreign currency transactions, and it uses forward foreign exchange contracts to hedge its exposure to these transactional risks. The Group does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are recognised at fair value on the date the derivative contract is entered into and are revalued to fair value at each balance sheet date. The fair values of derivative financial instruments are calculated by external valuers.

The Group does not apply hedge accounting for derivative financial instruments, with changes in the fair value of derivatives being recognised in the income statement immediately.

##### Hedges of net investments in foreign operations

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in the statement of comprehensive income and accumulated in the translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

#### Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an administrative expense in the period to which they relate. For defined benefit schemes, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Remeasurement of the defined benefit pension scheme, which comprises actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised in the statement of comprehensive income in full in the period in which they occur.

The Group determines the net interest income on the net defined benefit asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit asset, taking into account any changes in the net defined benefit asset during the year as a result of contributions and benefit payments. Net interest income and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

#### Leased assets

At the lease commencement date (i.e. the date the underlying asset is available for use), the Group recognises a right-of-use asset and a lease liability on the balance sheet.

The lease liability is initially measured at the present value of future lease payments, discounted using the Group's incremental borrowing rate. The right-of-use asset is initially measured at cost, comprising the initial value of the lease liability, any lease payments made before commencement of the lease, any initial direct costs and any restoration costs. The asset is recorded as property, plant and equipment, and is depreciated over the shorter of its estimated useful economic life and the lease term on a straight-line basis.

The finance cost is charged to the income statement over the lease term to produce a constant periodic rate of interest on the lease liability. The lease payment is allocated between repayment of the lease liability and finance cost.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in the income statement on a straight-line basis over the lease term.

#### Share-based compensation

The Group operates equity-settled share-based compensation schemes.

For grants made under the Group's share-based compensation schemes, the fair value of an award is measured at the date of grant and reflects any market-based vesting conditions. Non-market-based vesting conditions are excluded from the fair value of the award. At the date of grant, the Company estimates the number of awards expected to vest as a result of non-market-based vesting conditions, and the fair value of this estimated number of awards is recognised as an expense in the income statement on a straight-line basis over the vesting period. At each balance sheet date, the impact of any revision to vesting estimates is recognised in the income statement over the vesting period. Proceeds received, net of any directly attributable transaction costs, are credited to share capital and share premium.

#### Provisions

Provisions are recognised when the Group has a present obligation, either legal or constructive, as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the estimated cash flows to settle the present obligation, its carrying amount is the present value of those cash flows. The Group uses the "expected value" or "most likely outcome" method on a case-by-case basis to estimate the value of provisions.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.



## ACCOUNTING POLICIES continued

### 3. GROUP ACCOUNTING POLICIES continued

#### Provisions continued

##### Environmental provisions

Where the Group is liable for decontamination work or the restoration of sites to their original condition, an estimate is made of the costs needed to complete these works, discounted back to present values, relying upon independent third party valuers where appropriate.

##### Restructuring provisions

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring and not those associated with the ongoing activities of the entity.

##### Warranty provisions

In the event of warranty obligations, provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, based upon the best estimate of the expenditure required to settle the Group's obligations.

##### Disposal provisions

Disposal provisions relate to estimated liabilities faced by the Group in respect of discontinued operations and other disposed entities under the terms of their respective sale agreements.

#### Contingent liabilities

The Group exercises judgement in recognising exposures to contingent liabilities related to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities. Judgement may be necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and/or to quantify the possible range of the financial settlement.

#### Alternative Performance Measures ("APMs")

In the analysis of the Group's financial performance and position, operating results and cash flows, APMs are presented to provide readers with additional information. The principal APMs presented are underlying measures of earnings including underlying operating profit, underlying profit before tax, underlying profit after tax, underlying EBITDA, underlying earnings per share and underlying operating cash flow. In addition, EBITDA, net debt and constant currency metrics are presented which are also considered non-IFRS measures. These measures are consistent with information regularly reviewed by management to run the business, including planning, budgeting and reporting purposes and for its internal assessment of the operational performance of individual businesses.

The directors believe that the use of these APMs assists in providing additional information on the underlying trends, performance and position of the Group. APMs are used to assist with the comparability of information between reporting periods by adjusting for items that are non-recurring or otherwise non-underlying. Management considers non-underlying items to be:

- amortisation of acquired intangibles;
- material exceptional items, for example relating to acquisitions and disposals, business restructuring costs, legal costs and other non-recurring items;
- gains or losses on the movement in the fair value of derivative financial instruments;
- pension buy-in and buy-out transactions; and
- the tax impact of all of the above.

The Group's use of APMs is consistent and we provide comparatives alongside all current period figures.

Further detail on the APMs presented within these financial statements, including a reconciliation to the IFRS equivalent, is presented in note 3.

#### Exceptional items

Exceptional items are excluded from management's assessment of profit because by their size or nature they need to be separately disclosed to properly understand the Group's underlying quality of earnings. They are typically gains or losses arising from events that are not considered part of the core operations of the business. These items are excluded to reflect performance in a consistent manner and are in line with how the business is managed and measured on a day-to-day basis.

#### Post-balance sheet events

In accordance with IAS 10 *Events after the Reporting Period*, the Group continues to disclose events that it considers material, non-disclosure of which can influence the economic decisions of users of the financial statements.

### 4. CHEMRING GROUP PLC – PARENT COMPANY ACCOUNTING POLICIES

#### FRS 101 Reduced Disclosure Framework

The financial statements have been prepared in accordance with UK accounting standards and applicable law, including FRS 101 *Reduced Disclosure Framework*.

The Company operates a defined benefit scheme including employees of other Group companies (a Group plan). Following FRS 101, the scheme assets and liabilities have been allocated across the Group companies using a method that management considers to be the most appropriate, based on scheme membership, in accordance with the Group's internal policy.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- share-based payments;
- financial instruments;
- fair value measurements;
- IFRS 16 *Leases* (paragraphs 52 and 58);
- presentation of comparative information in respect of certain assets;
- IFRSs issued but not yet effective;
- related party transactions;
- assumptions and sensitivities for impairment review; and
- cash flow.

#### Investment in Group undertakings

Investments are stated at cost less any provision for impairment in value.

#### Critical accounting judgements and sources of estimation uncertainty

There are no critical accounting judgements for the Company. The other non-significant areas that include a degree of estimation uncertainty are below.

### 5. ACCOUNTING JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

When applying the Group's accounting policies, management must make judgements, assumptions and estimates concerning the future that affect the carrying amounts of assets and liabilities at the balance sheet date and the amounts of revenue and expenses recognised during the period. Such judgements, assumptions and estimates are based upon factors including historical experience, the observance of trends in the industries in which the Group operates, and information available from the Group's customers and other external sources.

#### Accounting judgements

##### Revenue recognition

Following IFRS 15 *Revenue from Contracts with Customers*, the Group recognises revenue on the basis of the satisfaction of performance obligations.

Management has to consider whether performance obligations should be recognised at a single point in time, which is generally the case for the sale of products by the Group, or over a period of time, which is more common for certain service contracts.



## 5. ACCOUNTING JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY *continued*

### Accounting judgements *continued*

#### Revenue recognition *continued*

In making its judgement about obligations that are satisfied at a point in time, management has to consider at what point control has passed to the customer, allowing revenue to be recognised. This is typically determined through a consideration of customer acceptance testing, stage of completion, contract terms and delivery arrangements.

#### Key sources of estimation uncertainty

There are no key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### Other non-significant areas that include a degree of estimation uncertainty or judgements

While these areas do not present a significant risk resulting in a material adjustment, they are areas of focus for management and include:

##### Provisions

The Group holds provisions where appropriate in respect of future economic outflows which arise due to past events. These are subject to uncertainty in respect of the outcome of future events. Estimates, judgements and assumptions are based on factors including historical experience, the observance of trends in the industries in which the Group operates, and information available from the Group's customers and other external sources. Actual outflows of economic benefit may not occur as anticipated, and estimates may prove to be incorrect, leading to further charges or releases of provisions as circumstances change. The provisions held by the Group as at 31 October 2024 are set out in note 24.

##### Goodwill impairment

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit, and to determine a suitable discount rate in order to calculate present value (see note 11). In reviewing the carrying value of goodwill of the Group's businesses, the Board has considered the separate plans and cash flows of these businesses consistent with the requirements of IAS 36 *Impairment of Assets*. The plans and cash flows of these businesses reflect current and anticipated conditions in the defence industry. The total goodwill intangible asset is set out in note 11, which shows a carrying value of £98.5m at 31 October 2024.

##### Capitalised development costs impairment

IAS 38 *Intangible Assets* requires that development costs, arising from the application of research findings or other technical knowledge to a plan or design of a new substantially improved product, are capitalised, subject to certain criteria being met. Determining the future cash flows generated by the products in development requires estimates which may differ from the actual outcome. In particular, this can depend on the estimation applied to future milestone events to secure long-term positions on production contracts, for example Programs of Record for the US DoD. The total capitalised development intangible asset is set out in note 12, which shows a carrying value of £18.6m at 31 October 2024. Included in this balance are individually material balances relating to Joint Biological Tactical Detection System (£8.8m) and Perceive (£4.3m).

##### Taxation

The Group operates in a number of countries around the world. Uncertainties exist in relation to the interpretation of complex tax legislation, changes in tax laws and the amount and timing of future taxable income. In some jurisdictions agreeing tax liabilities with local tax authorities can take several years. This could necessitate future adjustments to taxable income and expense already recorded. At the year-end date, tax liabilities and assets are based on management's best judgements around the application of the tax regulations and management's estimate of the future amounts that will be settled.

The Group's operating model involves the cross-border supply of goods into end markets. There is a risk that different tax authorities could seek to assess higher profits (or lower costs) to activities being undertaken in their jurisdiction, potentially leading to higher total tax payable by the Group.

At 31 October 2024 there was a provision of £1.0m in respect of uncertain tax positions. Due to the uncertainties noted above, there is a risk that the Group's judgements are challenged, resulting in a different tax payable or recoverable from the amounts provided. Management estimates that the reasonably possible range of outcomes is between £nil and £1.0m.

#### Deferred tax assets on tax losses and US interest deductions

The category of deferred tax asset which contains significant estimation uncertainty and which requires management judgement in assessing its recoverability relates to US interest limitations and tax losses carried forward (see note 25).

Applicable accounting standards permit the recognition of deferred tax assets only to the extent that it is probable that future taxable profits will be available, or to the extent that the existing taxable temporary differences, of an appropriate type, reverse in an appropriate period to utilise the tax losses carried forward. The assessment of future taxable profits involves significant estimation uncertainty, principally relating to an assessment of management's projections of future taxable income based on business plans and ongoing tax planning strategies. These projections include assumptions about the future strategy of the Group, the economic and regulatory environment in which the Group operates, future tax legislation and customer behaviour, amongst other variables.

#### Defined benefit pension scheme

There is inherent uncertainty associated with the timing of the anticipated buy-out and the final settlement of liabilities. Should the buy-out not proceed as expected, there may be a need to adjust the accounting treatment in a future period.

#### Investments in subsidiaries impairment (parent company only)

The parent company tests investments at least annually for impairment, in addition to when there is an indicator of impairment. Determining whether investments in subsidiaries are impaired requires an estimation of the value-in-use of the legal entities to which the investments relate. Where the investment value relates to an intermediate holding company, the subsidiaries of that holding company are used to support the carrying value. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the legal entity, and to determine a suitable discount rate in order to calculate present value (see note 11 of the Group financial statements). In reviewing the carrying value of investments in subsidiaries, the Board has considered the separate plans and cash flows of these businesses consistent with the requirements of IAS 36 *Impairment of Assets*. The plans and cash flows of these businesses reflect current and anticipated conditions in the defence industry. The total investments in subsidiaries are set out in note 2 of the parent company financial statements, which shows a carrying value of £786.0m at 31 October 2024.

#### Climate change

In preparing the financial statements, we have considered the impact of both physical and transitional climate change risks, which have helped develop the Group's internal transitional plan to ensure we achieve our climate-related targets, through the monitoring and assessment of our environmental metrics (discussed earlier in the annual report). The key element to achieving our climate-related target in our transitional plan is the electrification, energy efficiency and renewable energy sourcing for our operations; this approach requires upgrading and improvement of current facilities and equipment to be more efficient and is dependent on future capital expenditure. Therefore, the main areas affected from a financial perspective have been our impairment and going concern and viability assessments where we have ensured that these potential risks have been appropriately considered in forecast cash flows used.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHEMRING GROUP PLC

1. OUR OPINION IS UNMODIFIED

We have audited the financial statements of Chemring Group PLC ("the Company") for the year ended 31 October 2024 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated balance sheet, consolidated cash flow statement, parent company balance sheet, parent company statement of comprehensive income, parent company statement of changes in equity, and the related notes, including the accounting policies in notes 3 and 4.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 October 2024 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the directors on 23 March 2018. The period of total uninterrupted engagement is for the seven financial years ended 31 October 2024. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

**Materiality:** Group financial statements as a whole £3.5m (2023: £3.3m)  
5.3% (2023: 4.9%) of profit before tax, normalised to exclude this year's non-underlying items

**Coverage** 91% (2023: 86%) of total profits and losses that made up Group profit before tax including continuing operations only

Key audit matters (KAM)		Risk vs 2023
Recurring KAM	Recoverability of goodwill and other assets associated with Kilgore Flares	◀▶
	Recoverability of parent Company's investments in subsidiaries	◀▶
New KAM	Revenue recognition for sale of goods throughout the period	◀▶

2. KEY AUDIT MATTERS: OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

RECOVERABILITY OF GOODWILL AND OTHER ASSETS ASSOCIATED WITH KILGORE FLARES

(Goodwill: £5.8m; 2023: £5.8m) and other assets associated with Kilgore Flares.

Refer to page 101 (Audit Committee report), page 177 (accounting policies) and page 151 (financial disclosures).

THE RISK

Forecast-based assessment

Kilgore Flares ("KFL") has significant goodwill and other assets. Operational challenges at KFL resulted in performance significantly below management's forecasts. We determined at planning that the forecast future cash flows used in calculating the value in use of the Kilgore cash generating unit ("CGU") involves a degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The estimated recoverable amount of KFL is subjective due to the level of inherent uncertainty involved in forecasting and discounting the future cash flows which are reliant upon the successful commissioning and level of downtime in operations at the new automated facilities at this site.

In conducting our final audit work, we concluded that reasonably possible changes to the value in use of KFL goodwill would not be expected to result in material impairment.

Previously we identified recoverability of goodwill of the Group's CGUs, including KFL as a key audit matter. We continue to perform procedures over recoverability of goodwill however, given the significant headroom and lack of sensitivity in key assumptions relative to the other CGUs, we have not assessed this as one of the most significant risks in our current year audit. Therefore we have only separately identified recoverability of the KFL goodwill and other assets in our report this year.

Our response

We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through detailed procedures described. Our procedures included:

- Historical comparisons: We challenged the cash flow forecasts by comparing historical projects to actual results to assess the Group's ability to accurately forecast;
- Our sector experience: We evaluated assumptions used, in particular those relating to operating cash flow forecasts and downtime assumptions when compared with our business understanding and downtime experienced in the commissioning and normal operation of similar automated facilities elsewhere in the Group;
- Benchmarking assumptions: We benchmarked KFL discount rates (including underlying assumptions used) against market data, including publicly available analysts' reports and peer comparison using input from our own valuation specialists;





### THE RISK continued

- Sensitivity analysis: We performed sensitivity analysis by reviewing the impact of reasonable downward changes to the assumptions noted above; and
- Assessing transparency: We assessed whether the Group's disclosures about the estimation uncertainty related to the impairment assessment reflect the risks inherent in the valuation of goodwill.

### Our results

We found the Group's conclusion that there is no impairment in the goodwill or assets in respect of the KFL CGU to be acceptable (2023 result: acceptable).

### REVENUE RECOGNITION FOR SALE OF GOODS THROUGHOUT THE PERIOD

(Revenue relating to goods at a point in time: £339.4m (2023: £318.6m))

Refer to page 101 (Audit Committee report), page 176 (accounting policies) and page 143 (financial disclosures).

### THE RISK

#### Revenue recognition for sale of goods throughout the period

We consider revenue recognition for goods to be a key audit matter as it is a key driver of the Group's results. Its size, the fact it is earned over the majority of our components and the manual nature of our approach is reflected in the allocation of our resources in planning and executing the audit across the Group.

Based on our cumulative audit experience, we have concluded that there is not a material judgement or estimation in sale of goods revenue recognition, nor do we consider there to be a significant risk of material misstatement.

We assess the degree of risk in relation to recognition of goods revenue to be similar to prior periods, but have included this as a KAM this year reflecting the relative assessment of areas of our audit and the removal of a number of goodwill balances from our KAM reporting.

### Our response

We performed the tests below rather than seeking to rely on any of the Group's controls because for certain components the low volume of high value transactions meant that detailed testing is inherently the most effective means of obtaining audit evidence and for other components our knowledge of the design of these controls indicated that we would be unlikely to obtain the required evidence to support reliance on controls.

Our procedures included:

- Tests of detail: Analysis of revenue throughout the period using data and analytical techniques to assess for unexpected transactions based upon expected account pairings, and vouching unexpected pairings to supporting documentation;
- Tests of detail: Reconciling revenue recognition and cash receipts, adjusting for reconciling items including sales taxes, to verify the existence and accuracy of total revenue recorded; and
- Test of detail: Selecting revenue transactions throughout the period using statistical sampling methods and vouching each to supporting documentation to verify the existence and accuracy of the transactions recorded.

### Our results

We considered the amount of sale of goods revenue throughout the period to be acceptable (2023: acceptable).

### RECOVERABILITY OF PARENT COMPANY'S INVESTMENTS IN SUBSIDIARIES

(Investments in subsidiaries: £786.0m; 2023: £786.0m)

Refer to page 101 (Audit Committee report), page 180 (accounting policies) and page 171 (financial disclosures).

### THE RISK

#### Low risk, high value

The carrying amount of the parent company's investments in subsidiaries represents 96% (2023: 98%) of the parent company's total assets.

Their recoverability is not at a high risk of material misstatement or subject to significant judgement. However, due to their materiality in the context of the parent company's financial statements, this is considered to be the area that had greatest effect on our overall parent company audit.

### Our response

We performed the tests below rather than seeking to rely on any of the parent Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through detailed procedures described. Our procedures included:

- Historical comparisons: We challenged the cash flow forecasts supporting the Group's assessment that there are no impairment indicators for the carrying value of each investment by comparing historical projections to actual results to assess the Group's ability to accurately forecast;
- Sensitivity analysis: We performed sensitivity analysis by performing a reverse stress test to calculate how much cash flows would have to reduce such that a material impairment would occur;
- Our sector experience: We evaluated whether the reduction in cash flows calculated from our reverse stress test was realistic when compared with our business understanding and historical comparisons; and
- Comparing valuations: We compared the carrying amount of the investments with the expected value of the business based on the Group's market capitalisation and the fair value of the net debt.

### Our results

We found the parent Company's conclusion that there is no impairment of investment in subsidiaries to be acceptable (2023 result: acceptable).





## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHEMRING GROUP PLC continued

### 3. OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Materiality for the Group financial statements as a whole was set at £3.5m (2023: £3.3m), determined with reference to a benchmark of Group profit before tax, normalised to exclude non-underlying items as disclosed in note 3 to the Group financial statements, of which it represents 5.3% (2023: 4.9%). We adjusted for these items because they do not represent the normal, continuing operations of the Group.

Materiality for the parent Company financial statements as a whole was set at £3.2m (2023: £3.0m) determined with reference to a benchmark of parent Company total assets, of which it represents 0.4% (2023: 0.4%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 75% (2023: 75%) of materiality for the financial statements as a whole, which equates to £2.6m (2023: £2.5m) for the Group and £2.4m (2023: £2.3m) for the parent Company. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £175k (2022: £165k), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 14 reporting components, we subjected six (2023: six) to full scope audits for Group purposes, and two (2023: two) to specified risk-focused audit procedures over revenue, inventory and management override of controls. The components for which we performed work other than audits for Group reporting purposes were not individually significant but were included in the scope of our Group reporting work in order to provide further coverage over the Group's results. We conducted analytical procedures over the financial information at a further two (2023: two) non-significant components in order to provide further coverage over the Group's results.

The components within the scope of our work accounted for the percentages illustrated right.

The remaining 10% (2023: 16%) of total Group revenue and 9% (2023: 14%) of total profits and losses that made up Group profit before tax is represented by four components. None of these four components individually represented more than 5% (2023: 7%) of any of total Group revenue or total profits and losses that made up Group profit before tax. The remaining 13% (2023: 8%) of total Group assets is represented by four (2023: four) components none of which individually represented more than 8% (2023: 4%) of total Group assets.

For these residual components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

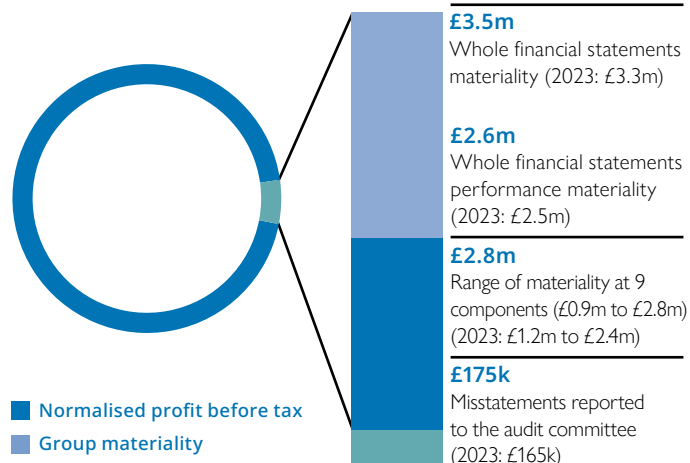
The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities which ranged from £0.9m to £2.8m (2023: £1.2m to £2.4m), having regard to the mix of size and risk profile of the Group across the components. The work on 6 of the 14 (2023: 6 of the 14) components was performed by component auditors and the rest, including the audit of the parent Company, was performed by the Group team. The Group team performed procedures on the items excluded from normalised profit before tax.

The Group team visited two (2023: four) component locations in the UK and US (2023: UK and US), to assess the audit risk and strategy. Video and telephone conference meetings were also held with these component auditors and all others that were not physically visited. At these visits and meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor. The Group team also inspected the component audit team's key work papers.

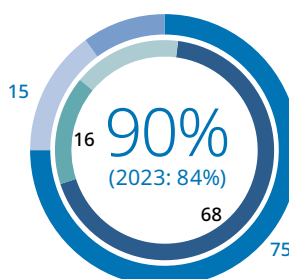
We were able to rely upon the Group's internal control over financial reporting in several areas of our audit, where our controls testing supported this approach, which enabled us to reduce the scope of our substantive audit work; in the other areas the scope of the audit work performed was fully substantive.

#### NORMALISED PROFIT BEFORE TAX £66.3m (2023: £67.9m)

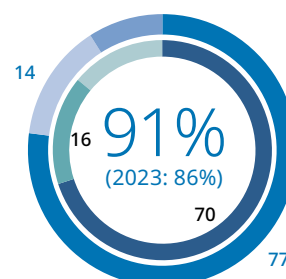
#### GROUP MATERIALITY £3.5m (2023: £3.3m)



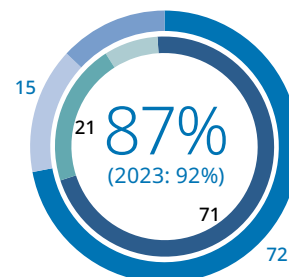
#### GROUP REVENUE



#### TOTAL PROFITS AND LOSSES THAT MADE UP GROUP PROFIT BEFORE TAX



#### GROUP TOTAL ASSETS



- Full scope for Group audit purposes 2024
- Specified risk-focused audit procedures 2024
- Residual components 2024
- Full scope for Group audit purposes 2023
- Specified risk-focused audit procedures 2023
- Residual components 2023



#### 4. THE IMPACT OF CLIMATE CHANGE ON OUR AUDIT

In planning our audit, we considered the potential impacts of climate change on the Group's business and its financial statements, based on our knowledge of the Group's operations and their stated strategy with respect to climate change.

##### The context of climate change for the Group

Climate change impacts the Group in a variety of ways including the impact of climate risk on manufacturing and procurement, potential reputational risk associated with the Group's delivery of its climate-related initiatives, and greater emphasis on climate-related narrative and disclosure in the annual report.

The Group's exposure to climate change is primarily through environmental factors impacting the safety of the sites across the Group, including wildfires in Australia and hurricanes in the US. As part of our audit we have made enquiries of the Group to understand the extent of the potential impact of climate change risk on the Group's financial statements and the Group's preparedness for this.

The Group emits greenhouse gases directly from energy used in its production operations. As explained on page 48 of the Group's annual report, the Group is working toward targets to reduce scope 1 and 2 carbon emissions to become net zero (scope 1 and scope 2 market-based) by 2035 and then working towards being a scope 3 net zero organisation by 2050.

##### The Group's assessment of accounting consequences

IFRS requires the Group's financial reporting to be based, amongst other things, on the Group's best estimate of assumptions that are reasonable and supportable as at the date of reporting. Those assumptions may not align with the ways in which the global economy, society and government policies will need to change to meet the relevant targets.

The Group has set carbon emissions targets and estimated the incremental capital and operational expenditure required to deliver those targets. The Group has considered the potential for asset obsolescence or shorter economic lives of its existing property, plant and equipment, and this does not result in any material changes to accounting estimates as a result.

The Group has provided more detail on how it has considered climate change in its financial reporting on page 181 of the Group's financial statements.

##### Our audit response

###### Risk assessment procedures

As part of our risk assessment procedures, we made enquiries, with the assistance of our climate change professionals, of key members of management. Our enquiries focused on understanding the Group's climate-related strategy and identifying those areas where climate change could have a potential material impact on the financial statements. We did not identify the impact of climate risk as a separate Key Audit Matter in our audit given the nature of the Group's operations and knowledge gained of its impact on significant accounting estimates and judgements during our risk assessment procedures and testing.

###### Audit procedures in relation to Key Audit Matters

We did not consider the impact of climate change to be significant to our audit response for the Key Audit Matters relating to recoverability of goodwill and the parent Company's investments in subsidiaries. On the basis of our risk assessment, we determined that while climate change poses a risk to the determination of future cash flows, the risk to this year's financial statements from climate change alone is not significant taking into account the extent of headroom available on the cash-generating units. As such, there was no impact on our key audit matters.

###### Other audit procedures

During the course of our audit, we carried out the following additional audit procedures: we considered the Group's processes around climate change-related disclosures in the annual report and read the disclosures in the strategic report and directors' report and considered its consistency with the financial statements and our audit knowledge.

#### 5. GOING CONCERN

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and parent Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and parent Company's available financial resources, EBITDA and net debt covenants over this period were:

- delays to significant revenue contracts;
- manufacturing facility safety incidents causing business interruption; and
- the potential outcome of the provisions related to environmental remediation claims.

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by assessing the directors' sensitivities over the level of available financial resources and covenant thresholds indicated by the Group's financial forecasts taking account of severe, but plausible, adverse effects that could arise from these risks individually and collectively.

We also assessed completeness of the going concern disclosure.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period;
- we have nothing material to add or draw attention to in relation to the directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for the going concern period, and we found the going concern disclosure in page 83 to be acceptable; and
- the related statement under the Listing Rules set out on page 136 is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

#### 6. FRAUD AND BREACHES OF LAWS AND REGULATIONS

##### - ABILITY TO DETECT

##### Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and internal audit and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected, or alleged fraud;



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHEMRING GROUP PLC continued

### 6. FRAUD AND BREACHES OF LAWS AND REGULATIONS

#### – ABILITY TO DETECT continued

##### Identifying and responding to risks of material misstatement due to fraud continued

- reading Board, Audit Committee, Executive Committee, Remuneration Committee and Risk Management Committee meeting minutes;
- considering remuneration incentive schemes and performance targets for management and directors including the EPS target for management remuneration; and
- using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group audit team to in-scope component audit teams of relevant fraud risks identified at the Group level and request to full scope component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at Group level.

As required by auditing standards and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of control, in particular the risk that Group and component management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements including recoverability of goodwill and recoverability of parent Company investments in subsidiaries as detailed in section 2 of this report. On this audit, we do not believe there is a fraud risk related to revenue recognition because there are no complexities or significant areas of estimation within the revenue recognition.

We did not identify any additional fraud risks.

We performed procedures including:

- identifying journal entries and other adjustments to test for all in-scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts; and
- assessing whether the judgements made in making significant accounting estimates are indicative of potential bias.

##### Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors (as required by auditing standards) and from inspection of the Group's regulatory and legal correspondence and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

This included communication from the Group audit team to component audit teams of relevant laws and regulations identified at the Group level, and a request for component auditors to report to the Group team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at Group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation and pension legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, environmental protection legislation, and anti-bribery and corruption, recognising the regulated nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

For the Health and Safety Executive matter discussed in note 34, we assessed disclosures against our understanding from legal correspondence, including discussions held with the lawyers as well as inspection of relevant documentation.

##### Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards.

For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

### 7. WE HAVE NOTHING TO REPORT ON THE OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information presented in the annual report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

##### Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.



## Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

## Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation on page 73 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the principal risks and uncertainties disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the directors' explanation in the of viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the viability statement, set out on page 83 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

## Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

## 8. WE HAVE NOTHING TO REPORT ON THE OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

## 9. RESPECTIVE RESPONSIBILITIES

### Directors' responsibilities

As explained more fully in their statement set out on page 136, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

The Company is required to include these financial statements in an annual financial report prepared under Disclosure Guidance and Transparency Rule 4.1.17R and 4.1.18R. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

## 10. THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### James Childs-Clarke (Senior Statutory Auditor) for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants  
Gateway House  
Tollgate  
Chandlers Ford  
Southampton  
SO53 3TG

17 December 2024



## FIVE-YEAR RECORD

For the year ended 31 October 2024

	2024 £m	2023 £m	2022 £m	2021 £m	2020 £m
Revenue	510.4	472.6	401.0	351.6	351.4
Underlying EBITDA	93.7	88.5	77.3	67.7	62.7
Underlying operating profit	71.1	69.2	59.4	49.2	43.2
Non-underlying items	(13.0)	(23.8)	(10.0)	(7.1)	(8.4)
Operating profit	58.1	45.4	49.4	42.1	34.8
Finance expense	(4.8)	(1.3)	(1.5)	(1.6)	(3.0)
Profit before taxation	53.3	44.1	47.9	40.5	31.8
Taxation	(10.6)	(6.4)	(3.5)	(5.3)	(5.8)
Profit for the year from continuing operations	42.7	37.7	44.4	35.2	26.0
(Loss)/profit after tax from discontinued operations	(3.2)	(32.3)	3.0	6.3	8.7
Profit attributable to equity shareholders	39.5	5.4	47.4	41.5	34.7
Cash generated from continuing underlying operations	96.0	80.0	85.1	71.3	70.5
Intangible assets and property, plant and equipment	414.9	369.9	395.4	351.5	348.9
Working capital	88.3	82.3	93.9	84.4	85.1
Provisions	(19.9)	(17.6)	(18.4)	(17.5)	(19.0)
Retirement benefit surplus	0.1	5.9	11.2	13.7	7.6
Net current and deferred tax liabilities	(19.1)	(15.1)	(20.8)	(24.5)	(16.3)
Net debt	(52.8)	(14.4)	(7.2)	(26.6)	(48.2)
Other	(55.2)	(32.5)	(36.0)	(28.2)	(28.5)
Net assets employed	356.3	378.5	418.1	352.8	329.6
Financed by:					
Ordinary share capital	2.7	2.8	2.8	2.8	2.8
Reserves attributable to equity shareholders	353.6	375.7	415.3	350.0	326.8
Total equity	356.3	378.5	418.1	352.8	329.6
Basic underlying earnings per ordinary share (continuing operations)	19.8p	20.5p	19.0p	14.7p	12.1p
Diluted underlying earnings per ordinary share (continuing operations)	19.3p	20.0p	18.5p	14.4p	11.8p
Basic earnings per ordinary share (continuing operations)	15.7p	13.4p	15.8p	12.5p	9.2p
Diluted earnings per ordinary share (continuing operations)	15.3p	13.1p	15.4p	12.2p	9.0p
Dividend per share	7.8p	6.9p	5.7p	4.8p	3.9p

**CORPORATE INFORMATION AND WEBSITE****HEADQUARTERS AND REGISTERED OFFICE**

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**REGISTERED NUMBER**

86662

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Norway





## OTHER INFORMATION

### FIND OUT MORE ONLINE

For more information about Chemring Group PLC, please visit [www.chemring.com](http://www.chemring.com), where the latest shareholder information can be accessed, including:

- Current share price
- Key financial information
- Financial calendar
- Shareholder services and notices
- Corporate governance
- Results and presentations
- Analysts' forecasts
- Regulatory news

Chemring Group PLC's 2024 annual report and accounts and the notice of the Annual General Meeting can also be viewed and downloaded at [www.chemring.com/investors](http://www.chemring.com/investors).

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**Chemring** |  
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