



# CHEMRING GROUP PLC CODE OF ETHICS

## 1. INTRODUCTION

Chemring Group PLC undertakes to engage in company conduct founded upon solid ethical principles in its dealings with all of its main stakeholders (shareholders, employees, clients, business partners and suppliers), governments, regulatory bodies, all of the communities in which it operates, society as a whole and the environment.

This Code of Ethics applies to all Chemring Group companies, and all of the Group's employees, as well as third parties who act on their behalf, are required to comply with the principles set forth herein in the conduct of their daily tasks in their capacities as Chemring employees and whenever they act in representation of Chemring.

The principles of the Code are integrated into more detailed policies and guidelines, in some cases involving specific issues such as health, safety or the environment. A copy of such policies and guidelines may be requested from the Chemring Group's Central Secretary's Office or the General Managers of individual company units. Chemring reserves the right to amend, unilaterally and at any time, the contents of the Code or of the other policies and guidelines, without prejudice to compliance with local legislation.

Chemring undertakes to ensure the fullest application of the Common Industry Standards set by the Aerospace and Defence Industries Association of Europe. This Code of Ethics incorporates said standards.

Employees requiring further clarification concerning the principles or any issues pertaining thereto may direct their inquiries to their superiors, Human Resources managers, or the Chemring Group's Central Secretary's Office at headquarters.

## 2. CHEMRING'S PRINCIPLES

### A. COMPLIANCE WITH LAWS AND REGULATIONS

All Chemring Group companies (including associates and other entities controlled by the Group), their executives, officers, employees and third parties acting on their behalf are required, at minimum, to comply with all provisions of laws and regulations in force in the countries in which they undertake their activities as employees or in which they enter into business dealings on Chemring's behalf. All executives, officers, employees or third parties acting on their behalf are required to be aware of applicable legislation, requesting clarification in this regard as necessary.

In particular, employees are required to direct their attention to the following:

(i) [Insider trading, false disclosures to the market and market manipulation](#)

Chemring shares are listed on the London Stock Exchange. At certain times, the Company's executives and employees are prohibited from buying and/or selling the Company's shares, and most markedly during the two months prior to the publication of provisional and definitive financial results. Furthermore, employees in possession of privileged, confidential information ("Privileged Information") are not allowed to speculate on the Company's shares at other times.

These rules also apply to the close family members of employees. Employees in possession of Privileged Information are not authorized to disclose it to third parties who wish to buy and/or sell the Company's shares. In a like manner, employees in possession of Privileged Information concerning clients, competitors or suppliers are not authorized to employ such information to buy and/or sell the shares of the companies in question for the purpose of personal gain.

The trading of shares in a company on the basis of Privileged Information not available to the market is insider trading and is an offence subject to criminal prosecution in the United Kingdom and many other countries. In a like manner, the intentional or inconsiderate dissemination of misleading information or predictions and the manipulation of the market for a company's securities (market manipulation) also constitute criminal offences. Furthermore, the misuse of information (for example, to create a false or misleading impression) constitutes a tort in the United Kingdom. Insider trading, intentional market manipulation, and the abuse of the market by Chemring employees constitute serious breaches of professional conduct. For further details on this matter, please refer to the Chemring Stock Trading Code.

(ii) [Procedures for the coordination and disclosure of Privileged Information concerning Chemring](#)

Privileged Information is information of the sort that may result in substantial fluctuations in the price of Chemring's stock. All employees are required to comply with these Procedures in order to ensure that such information is disclosed to the market in a transparent, coordinated manner and according to predetermined schedules. Only the Central Secretary's Office of the Chemring Group, on the approval of a member of the Board of Directors, is authorized to make disclosures to the UK Listing Authority.

(iii) [Application of legislation governing competition/antitrust/export permits or trade embargo measures](#)

All employees or third parties acting on their behalf are required to comply with laws governing competition, antitrust, export permits or trade embargoes in force in the countries in which Chemring operates. The field of law in question is highly technical in nature and the details of legal provisions may vary considerably from one country to another. Non-compliance with such provisions could expose Chemring to severe penalties or legal proceedings. In certain countries, not only the company but also the individual employees in question could be prosecuted or fined. Consultation with a legal advisor is therefore recommended.

Employees are advised to avoid conduct that could result in accusations of collusion or involvement in illicit activity.

(iv) [Dealings with governments, clients, suppliers and third parties](#)

Chemring requires that its employees engage in honest conduct founded upon personal integrity in the workplace.

Chemring Group companies, their executives, officers, employees or other parties acting on their behalf shall abstain from promising, offering or soliciting, directly or indirectly, benefits of any nature for illicit purposes, in relation to the performance of Chemring's activities.

Payment, attempted payment, solicitation and acceptance of bribes are behaviours in violation of Chemring's policy. Under no circumstances shall the illicit use of corporate financial resources for the benefit of government officers or the employees of public entities be authorized. This rule is not to be considered applicable solely to transfers of money.

Bribery is a criminal offence.

Chemring acknowledges that the courtesy of offering or accepting gifts or lodging of modest value in the course of business activity is generally admissible where legally permitted. Nonetheless, Chemring requires that:

- applicable legislation must allow the offering or acceptance of gifts or lodging;
- under no circumstances may such actions be undertaken with the aim of obtaining or securing any undue advantage;
- the offering of gifts or lodging must have been duly authorized and recorded in accordance with the policies adopted by each Chemring Group company;
- the acceptance of gifts or lodging by Chemring executives, officers or employees must be duly recorded in accordance with the policies adopted by each Chemring Group company;
- such records must be promptly made and verifiable in form and manner.

(v) Dealings with third parties (commercial representatives, commercial consultants, distributors, service providers)

Where Chemring procures the services of commercial representatives, consulting agencies or distributors in order to operate in certain countries, the payment of commissions or fees could be misinterpreted. For this reason, all payments of commissions or fees must be made in return for services effectively rendered and invoiced. Only General Managers have the power to approve the amount of the commissions or fees applied, which must always comply with Chemring's commissions policy. The business relationship must be documented in the form of a suitable legal contract. The payment of commissions or fees in cash is prohibited.

For the foregoing reasons, the selection and appointment of third parties suitable for entering into business dealings with Chemring is an issue of vital importance. For further information, please refer to Chemring's policies concerning the appointment and management of dealings with commercial representatives, distributors or consultants.

## **B. CONFLICT OF INTEREST**

Employees are required to avoid entering into any sort of dealings with clients, suppliers or competitors in which the personal interests of the employee in question enter into conflict, even if only apparently, with Chemring's interests. Some examples of such dealings are:

- (i) the possession by an employee or a member of his or her family of stock (particularly significant stock packages) in companies with which Chemring engages in business dealings, especially in the case of private companies;
- (ii) the provision by an employee of professional services to such third parties in his or her free time;
- (iii) an employee's involvement in activities that interfere with Chemring's business interest for the purpose of the employee's personal gain;
- (iv) the request by an employee to engage in professional activity for the purposes of personal gain that may enter into conflict with Chemring's interests or compete with Chemring;
- (v) the acceptance or request by an employee of gifts or acts of courtesy originating with such third parties, in which the gift or act of courtesy, or the amount or nature of such gifts or acts is illegal, excessive with respect to standard company practice, or may put the employee in a position of obligation to the giver that interferes with his or her duties to Chemring;
- (vi) the contracting by an employee of loans from any third party with which Chemring engages in business dealings, with the exception of loans issued according to normal market criteria and at arm's-length conditions;
- (vii) the appointment by an employee of a family member to provide services to Chemring or the use by an employee of the services offered by a family member by way of favour.

Exceptions to the rule that prevents the family members of employees from engaging in professional activity for Chemring are possible. For example, students are allowed to work summer jobs. However, family members of employees are not allowed to enter into commercial dealings with Chemring or to be engaged by Chemring without the prior approval of the Chief Executive Officer of the Chemring Group (as regards the staff of the headquarters and the General Managers of the various units) or the local General Manager as regards employees in other offices. Under no circumstances may an employee be directly responsible for supervising the work of a family member.

**C. NON-EXECUTIVE MANAGEMENT POSITIONS WITH COMPANIES AND SIMILAR APPOINTMENTS**

Employees wishing to accept positions of this nature are required to inform the Chairman of the Chemring Group thereof through the General Manager of their department. No objections shall be raised, provided that such appointment does not impede the employee from properly performing his or her tasks and does not enter into conflict with Chemring's reasonable interests.

**D. PROTECTION OF CHEMRING'S PROPERTY**

Employees are required to protect Chemring's property, whether tangible (such as computers, establishments, inventory, furnishings, etc.) or intangible (for example, intellectual property, proprietary software, trade secrets or confidential information). It follows that such property may only be used for company purposes and not for employees' personal gain or for illicit purposes of any nature. Furthermore, it also follows that the disclosure to third parties of confidential information concerning Chemring without the required authorization is prohibited, without prejudice to legal obligations. Misuse of Chemring's property may constitute not only a criminally punishable offence, but also a serious breach of professional conduct.

Some examples of such misuses are:

- (i) the use of products owned by Chemring for the purposes of personal gain;
- (ii) the use of IT infrastructure to download or send to others pornographic or otherwise offensive materials.

**E. PROTECTION OF THE CONFIDENTIAL INFORMATION OR SOFTWARE OF THIRD PARTIES**

It is normal for Chemring to receive confidential information from third parties on certain occasions. All employees are bound to comply with the conditions under which such information is provided. In a like manner, where Chemring is licensed to use a third party's property, all employees are bound to comply with the conditions of the licence agreement. It follows, for example, that the copying of software products, whether for use within the company or for an employee's personal gain, is prohibited.

**F. DONATIONS TO POLITICAL PARTIES**

Chemring does not give donations or contributions to political parties or for purposes related to the activities of political parties. Employees are not allowed to use Chemring's financial resources for such purposes.

**G. HEALTH, SAFETY AND THE ENVIRONMENT**

Chemring requires that Group companies adhere to the applicable provisions of laws and regulations in this field and act in compliance with industry and Group standards and procedures. All employees are responsible for ensuring compliance with these obligations. For example, if certain safety devices are required for the use of a machine, employees are obligated to ascertain that such devices are effectively employed.

## **H. EMPLOYMENT**

Chemring applies equal-opportunity employment policies. All employees must be afforded the opportunity to improve their positions at the company and to develop their skills, and all career advancement shall be justified solely by a given employee's ability to perform a given task. Chemring shall not tolerate discrimination by age, disability, sexual orientation, gender, creed or race, and all Group companies are required to comply with this principle.

In the performance of their work activity, employees are required to dedicate their energies to the furtherance of Chemring's interests in compliance with the law. In certain circumstances, the violation of this principle could represent a serious breach. Some clear examples of violations of this sort are: the theft of company assets, the abuse of alcohol or narcotics, sexual or racial harassment, or abuse of authority over other employees.

Although the conduct of employees outside working hours is not normally a matter of concern for their employer, there may be exceptions in cases in which such conduct has repercussions on Chemring's reputation, the employee's ability to perform his or her duties, and Chemring's confidence in the integrity of the employee in question. Some examples of such conduct are: insider trading, fraud, theft or the abuse of alcohol or narcotics.

## **I. HUMAN RIGHTS**

Chemring adheres to all applicable government guidelines aimed at ensuring that its products are not incorporated into weapons or other instruments employed for the purposes of terrorism, internal repression, or the violation of human rights.

Chemring is fully committed to the protection of internationally recognized human rights in all geographical areas in which it is present.

## **J. ACCOUNTING STANDARDS AND DISCLOSURES OF FINANCIAL RESULTS**

Please refer to the Group's Accounting Policies Manual for detailed rules. The general rule calls for financial documentation to be prepared in an adequate, timely manner, in accordance with the Generally Accepted Accounting Principles in force in the United Kingdom (or, for compulsory accounting entries at the local level, in accordance with the provisions of law in force in the respective countries), which are constantly applied by Chemring so that all transactions, assets and liabilities are properly recorded. The holding of the Group's economic resources off Chemring's accounting books is not permitted.

It is normal for companies to be subject to particular pressure concerning their financial results on certain occasions. However, it is unacceptable to unnaturally inflate the results for a given accounting period in order to claim a better position than that effectively achieved.

Chemring employs adequate internal control procedures to ensure that its activities are efficiently managed and the results published are correct.

## **3. APPLICATION OF PRINCIPLES**

This Code of Ethics has been approved by Chemring's Board of Directors. All current and future employees shall receive a personal copy hereof, and shall periodically be required to sign a statement in which they certify that they are aware of the Code, have understood it, and intend to adhere to it. Executives are responsible for adequately informing their employees thereof.

It is extremely important to Chemring that the Code of Ethics be scrupulously and strictly observed, and Chemring undertakes to ensure that there are mechanisms aimed at assisting employees with issues

concerning compliance with the Code. In this regard, the Group's reporting policies and procedures represent a mechanism by which employees may report their sincere perplexities concerning the application of the Code or any cases of company conduct without fear of acts of reprisal.

Chemring views any breach of the Code as serious inasmuch as it may potentially damage the Group's economic interests and reputation. Consequently, any breaches of the Code shall be treated as serious disciplinary issues and may be punished with the citation or dismissal of the interested party.

**OCTOBER 2008** (Version 2)

**CHEMRING GROUP PLC**

**NOTICE OF RECEIPT OF THE CODE OF ETHICS FOR EMPLOYEES**

I hereby represent that I am aware of and have understood the Code of Ethics, which sanctions the values and principles to which all employees of the Chemring Group must adhere in the conduct of their respective work activities. As agreed, I confirm that:

- I have always complied, and shall always comply with the Code of Ethics;
- I am not aware of breaches of the Code of Ethics;
- I shall report any breaches of the Code of which I should become aware in accordance with the Group's Reporting Policies and Procedures.

Signature .....

Date .....