



CHEMRING GROUP PLC TAX STRATEGY STATEMENT

October 2023

CHEMRING GROUP PLC

TAX STRATEGY STATEMENT

Chemring's tax strategy is to ensure compliance with all relevant tax legislation, wherever we do business, whilst managing our effective tax rate and tax cash flows. Tax is managed in alignment with our corporate responsibility strategy in that we strive to be responsible in all our business dealings with a zero tolerance of tax evasion. These principles are applied in a consistent and transparent manner in pursuing the tax strategy and in all dealings with tax authorities around the world.

Governance

The Board has approved this approach and monitors compliance as part of its governance framework. Processes and controls have been implemented and will be maintained to ensure effective operations and compliance with all applicable legislation and to minimise compliance risk. Diligent professional care and judgement will be employed to assess tax risks in order to arrive at well-reasoned conclusions on how the risks should be managed. Where there is uncertainty as to the application or interpretation of tax law, appropriate advice will be taken from third party advisers to support the decision-making process.

Tax planning

Chemring manages both effective tax rate ("ETR") and cash tax impacts in line with the Board-approved tax strategy. Opportunities will be taken to manage the ETR within the parameters of mainstream tax legislation for the benefit of Chemring without adopting an attitude to tax risk that could damage Chemring's standing with HMRC.

External advice and consultation are sought on potential changes in tax legislation in the jurisdictions in which we operate, enabling the Group to plan for and mitigate potential changes. Chemring does not make use of 'offshore' entities or tax structures to focus taxable profits in jurisdictions that legislate for low tax rates. To the extent that Chemring undertakes tax planning, it only takes place in countries where Chemring has commercial substance and we operate to a high standard of certainty.

Relationships with tax authorities

Chemring is committed to building constructive working relationships with tax authorities based on a policy of full disclosure in order to remove uncertainty in its business transactions and allow the authorities to review possible risks. In the UK, Chemring seeks to be open and transparent in its engagement with the tax authorities by sharing with HMRC the methodologies adopted in its tax returns.

Transfer pricing

Chemring does not have a significant level of cross-border activity. Where there is cross-border activity between Chemring subsidiaries, controls are in place to ensure transactions are conducted on an arm's length basis in compliance with OECD principles and the laws of the relevant jurisdictions. The Group does not, therefore, have a significant exposure to transfer pricing legislation.

The Group regards the above as complying with its duty under paragraph 16(2), Schedule 19, Finance Act 2016. It is effective for the year ending 31 October 2023 and will remain in place until any amendments are approved by the Board.