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Anti-slavery and human trafficking statement 2018

Rolls-Royce is one of the world's leading industrial technology companies, focused on world-class power and propulsion systems. We pioneer cutting-edge technologies that deliver the cleanest, safest and most competitive solutions to meet our planet's vital power needs.

We are committed to maintaining the highest ethical standards, and to maintaining and improving global policies and processes to avoid any potential complicity in human rights violations related to our operations or supply chain.

Further details of our organisation can be found in our Annual Report and at rolls-royce.com.

Structure, business and supply chain

We are a world-leading manufacturer of gas turbine and reciprocating engines for use in aerospace, marine, energy and off-highway applications. The majority of our revenue is generated through the sale of original equipment, supported by long term service agreements.

We are currently undergoing a fundamental restructuring of the Group, launched in mid-2018 and expected to conclude in 2020. From the beginning of 2019 we will operate through three core business units, supported by a head office, innovation hub and global business services (GBS) organisation which pools our indirect and transactional resource.

The head office function has responsibility for Group strategy, policy and governance. Our approach to modern slavery is integrated into our broader approach to business conduct and risk management. The Board has ultimate accountability for managing modern slavery risk. A cross-function working group, comprising representatives from our ethics, sustainability, procurement and HR teams, and sponsored by our General Counsel, has delegated responsibility for transactional management. We consult and work closely with elected employee representatives, internationally, nationally and locally through well-established frameworks, including through our European Works Council.

Headquartered in London, UK, we have manufacturing, assembly and test, and office locations in more than fifty countries globally; primarily in the UK, Germany and Nordic region; North America; and, Asia Pacific. In total we have more than 54,500 employees globally, a third of whom are engineers. Given the nature of the products and services we provide and the long lifecycle of the aerospace industry with long lead times, our workforce is typically highly skilled and in permanent employment, we do not typically employ seasonal or temporary resource.

We rely on a global supply chain to design, develop and manufacture our components of our product portfolios and to support our own operations and facilities and services network. We work directly with suppliers from more than 70 countries, these include engineering and manufacturing organisations as well as service providers.



Exposure to modern slavery and human trafficking risk

Our approach to identifying and assessing modern slavery risk is embedded within our broader risk management approach. Businesses and functions are responsible for identifying and managing risks in accordance with our risk management policy.

We have considered the exposure of the Rolls-Royce Group to slavery and human trafficking risk, taking into account the nature of our business activities; the application of group policies, particularly procurement and recruitment practices.

Overall, we consider the Group's exposure to modern slavery and human trafficking risk to be low.

Our principles related to modern slavery and human trafficking

Our commitment to human rights, including our position on forced labour, involuntary labour, child labour, and human trafficking, is outlined in our Global Code of Conduct, Global Supplier Code of Conduct and Global Human Rights policy.

Our principles related to human rights include:

- We are committed to protecting and preserving the rights of our employees, those employed in our supply chain, and those affected by our operations;
- We are committed to acting in a socially responsible manner, complying with applicable laws, and respecting the communities where we operate;
- We believe that all employment should be freely chosen and commit to refrain from any form of forced or involuntary labour;
- We are opposed to the use of any form of child labour or practices that inhibit the development of children;
- We are alert to the risks vulnerable people may face and seek to ensure that this group is free from discrimination and exploitation, and;
- We will only work with suppliers whose core values and commitment to ethical business conduct matches our own.

These principles are cemented through a comprehensive suite of group policies.

We work in partnership with customers and competitors from the Aerospace and Defence industry to seek to share and implement best practice ethical business practices. We are a steering member of the International Forum on Business Ethical Conduct for the Aerospace and Defence Industry (IFBEC) and a member of the UK Aerospace, Defence, Security and Space (ADS) Human Rights working group.

We monitor our position on external charters and signatories on a regular basis, and review and align our policies and processes accordingly.



Our policies related to modern slavery and human trafficking

Our policies cover our commitment to ensure human rights standards are met globally and making sure our suppliers uphold similar standards. This is embedded within our global policy framework, rather than a standalone specific modern slavery policy. We seek to take relevant legislation and the views of internal and external stakeholders into account in the development of any group level policy.

Any proposed new group policy or revisions to an existing policy is subject to review and approval by the Chief Governance Officer and General Counsel.

Our Global Code of Conduct (the Code) underpins all that we do as a company by setting out our principles and how they apply to our business activities. It applies to all employees, our subsidiaries and controlled joint ventures, wherever they are located. We encourage our non-controlled joint ventures to adopt the principles of our Code and will only work with partners with companies who demonstrate the same commitment to high standards of ethical conduct. Our Code is available in multiple formats, including hardcopy, online and in a mobile application.

In 2018, we released a major update to our Code, in line with our revised company values and behaviours. We have a clear purpose and set of values – we will operate safely, act with integrity, and be trusted to deliver excellence. Our people framework is underpinned by the notion of ‘care’, and we are committed to creating a working environment where all our people are able to be at their best.

Our Code is supported by our Group Policies manual, which brings together all our Group-wide policies, including our people-related policies. Our human rights policy sits within this and sets out our commitment to respect the human rights of our employees and those working on our behalf through core labour standards. The policy draws from broader people-related policies, including our anti-discrimination policy; health, safety and environment (HSE) policy; diversity and inclusion policy; immigration policy; and relocation policy.

All employees are required to adhere to our Code and Group policies, in addition to any specific local requirements. In 2018 we introduced assessments of how our company values, behaviours and ethical conduct are embodied within our performance management processes for senior managers.

We extend our ethical principles to our suppliers and partners through our Supplier Code of Conduct (Supplier Code). In order to do business together, we expect all suppliers to be ethical, responsible and to fully comply with all applicable laws and regulations. Our Supplier Code sets out the behaviours, practices and standards we expect our suppliers to demonstrate and comply with, all of which are based on our own Rolls-Royce Code of Conduct, policies and standards. During 2018 we reviewed our supplier expectations and published an updated version of our Supplier Code in January 2019.

Our policies are made available to employees in English and our core business languages. These can be accessed through our employee intranet and are made physically available at our operational sites and office locations. Our policies and business conduct expectations are a core part of our employee on-boarding and induction experience.

Our policies are made publicly available in English and can be accessed and downloaded at rolls-royce.com.



Mitigating modern slavery risk in our supply chain

Our approach to managing modern slavery risk within our supply chain is embedded within our broader risk management systems and processes. We are committed to maintaining the highest ethical standards across our supply chain. Our Supplier Code of Conduct (Supplier Code) is the foundation of our approach. It states “All suppliers must comply with applicable international and national laws and standards in relation to labour practices and human rights, including slavery and human trafficking legislation”.

Adherence with our Supplier Code is mandated for all suppliers through our General Conditions of Purchase and precedent contractual terms. This is in addition to all applicable laws and regulations in the country or countries where our suppliers operate. In the event that our Supplier Code sets out a higher requirement than local regulation, suppliers are expected to adhere to that higher requirement.

We review and consider potential new suppliers' ability to adhere to our Supplier Code as part of our supplier selection and on-boarding processes, prior to entering contractual negotiations. In addition, new and existing suppliers, as well as customers, joint venture partners and other third-parties, are subject to screening assessments through the Dow Jones Risk and Compliance Platform on sanctions, watch-lists and adverse media reports.

Prioritised suppliers are required to complete self-assessments on their compliance with our Supplier Code. Suppliers are prioritised for assessment based on three factors; their strategic significance to Rolls-Royce; the nature of the services they are contracted to provide (i.e. international logistics providers); and/ or, their geographical location. Countries have been identified as potentially higher risk using externally published sources, including the Global Slavery Index.

We are committed to working with suppliers to ensure they have appropriate ethical and responsible policies and practices in place and support them in closing any gaps these self-assessments may identify.

If a supplier's practices are found unsatisfactory or non-conformant to our Supplier Code, we address these issues on a case-by-case basis, seeking advice from subject matter experts and legal counsel where appropriate. We have not experienced any significant breaches of the Supplier Code related to modern slavery to date. In the event of significant non-conformance we do retain the right to terminate any contractual agreement with immediate effect, we are committed to work in the best interests and protection of any confirmed or potential victims of modern slavery.

Mitigating modern slavery risk in our business operations and activities

The management of human rights risk and impact in our business operations is embedded into existing management systems and processes.

Our management teams are responsible for ensuring compliance with local laws and regulations. Our functional teams work with the business leaders to ensure compliance with this policy.

All employees receive regular communications and mandated training on ethical behaviours. We provide additional training on the standards and principles referred to in



our Global Human Rights policy. In particular we support awareness training with groups that have direct oversight into human rights related concerns.

We encourage the raising of questions and concerns related to ethical business practices and provide a range of channels for raising questions or concerns, anonymously if desired. This includes an externally hosted Ethics Line service, which is available to all employees, customers, suppliers or external stakeholders 24/7. Concerns raised are reviewed by subject matter experts within the Group; we also seek external counsel when required. To date no concerns have been raised related to modern slavery or human trafficking.

In the event that any future investigation identifies confirmed or potential victims of modern slavery we will work to the best interests and protection of these individuals or groups.

Declaration

This statement has been made in accordance with the reporting requirements of Clause 54, Part 6 of the UK Modern Slavery Act and the California Transparency in Supply Chains Act of 2010 (SB 657), for the year ending 31 December 2018. This statement applies to all parts of the Rolls-Royce Group.

This statement was approved at the Board meeting on 26 February 2019, and has been signed by the Chairman, on behalf of the Board of Directors.

Signed

A handwritten signature in blue ink, appearing to read "Ian Davis". The signature is fluid and cursive, with a large initial "I" and "D".

Ian Davis
Chairman of the Board
Rolls-Royce plc

26 February 2019