

2016 Anti-slavery and human trafficking statement

Rolls-Royce plc is a global provider of highly-efficient integrated power and propulsion systems. Our products are used primarily in aerospace, marine, energy and off-highway applications. In total we have more than 50,500 employees worldwide across 50 countries, and customers in more than 150 countries. We rely on a global supply chain to design, develop and manufacture our product portfolio and support our own operations and facilities and services network. We work directly with suppliers from more than 70 countries.

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. We have taken an integrated approach to minimising the risk of slavery and human trafficking taking place in our supply chain or any part of our business.

Our principles

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 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.

Our policies related to slavery and human trafficking

Our Global Code of Conduct underpins all our company activity. It applies to all employees of Rolls-Royce, our subsidiaries and controlled joint ventures, wherever they are located.

We set similar standards for our suppliers through our Global Supplier Code of Conduct. This sets out the behaviours, practices and standards we expect to see demonstrated and complied with. Adherence is mandated through our General Conditions of Purchase and contractual terms.

Our human rights approach is aligned to the principles stated within our Global Code of Conduct. Our Global Human Rights policy sets out our commitment to respect the human rights of our employees, and those working on our behalf, through core labour standards. It sets out practical guidance for the implementation of processes and due diligence against each of our principles.

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).

Our Global Code of Conduct was awarded an overall score of 88% in Transparency International's 2015 International Defence Companies Anti-Corruption Index, well above industry average. Our policies can be accessed and downloaded at www.rolls-royce.com.

Managing risk in our supply chain

We are committed to maintaining the highest ethical standards across our supply chain. Our Global 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 Global Supplier Code of Conduct is mandated for all suppliers through our General Conditions of Purchase and 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 introduced contractual commitment to our Supplier Code in 2015. At the end of 2016, 99% of suppliers have contractually agreed adherence.

We regularly communicate this commitment to our suppliers through our Global Supplier Forums, Global Supplier Portal (www.suppliers.rolls-royce.com) and supplier management and review processes. We also 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, all 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.

To date, 16,000 organisations have been assessed.

In 2016, we introduced self-assessment monitoring to our Supplier Code for prioritised suppliers. Suppliers were selected 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:

- Corruption Perceptions Index, Transparency International
- Global Competitiveness Index, World Economic Forum
- Global Slavery Index, Hope for Children Organisation

This self-assessment questionnaire reviews how suppliers are applying and adhering to the content of our Supplier Code, including questions on human rights policy and procedures, as well as labour practices and HS&E. The outputs from these assessments are fed into our overall supplier management process and supplier risk profiles.

To date, 22% of our prioritised suppliers have completed this self-assessment.

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 are committed to working with suppliers to ensure they have appropriate ethical and responsible policies and practices in place.

If a significant non-conformance occurs we retain the right to terminate any contractual agreement with the supplier with immediate effect.

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Managing 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. In 2016 we carried out a comprehensive review of our human rights approach and have now published a revised and strengthened Global Human Rights policy.

Our Global Human Rights policy brings together existing policies pertinent to human rights, referencing our Anti-discrimination policy; Health, Safety and Environment (HS&E) policy; Diversity and Inclusion policies; Immigration policy; and Relocation policy.

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 training on ethical behaviours. All employees must read, understand and comply with our Global Code of Conduct, and complete mandatory training. 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, for example Human Resources and Purchasing functions.

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.

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 2016. This statement applies to all parts of the Rolls-Royce Group.

This statement has been signed by the Chairman, on behalf of the Board of Directors.

Signed



Ian Davis
Chairman of the Board

Rolls-Royce plc
8 February 2017