



**At our best:**

**Our approach**

February 2020

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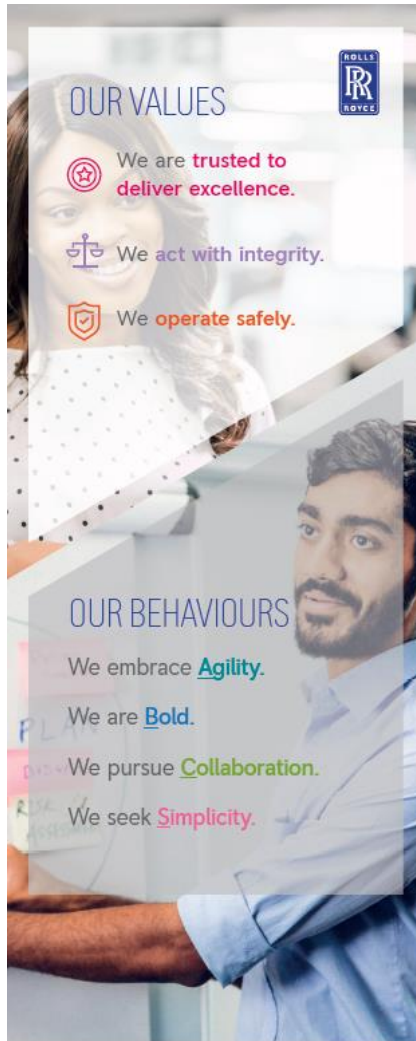
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## 1

# Introduction

## Our Values and Behaviours



Rolls-Royce is committed to conducting its business ethically and in compliance with the laws and regulations which it is subject to.

The choices we make and the things we do are guided by our values. Being trusted to deliver excellence, acting with integrity by always doing the right thing, and operating safely in whatever we do, will mean that we strengthen our business and enable its success.

As set out in our Global Code of Conduct (“Our Code”) our value of acting with integrity means that we do the right thing all the time. We act with integrity and follow the law. We live up to all of our ethical principles and we demonstrate this by being true to ourselves, and showing honesty and good judgement in all we do.

# At our best

It is also important that we operate in accordance with our behaviours which are to pursue collaboration, seek simplicity, embrace agility and be bold.

At Rolls-Royce, we are not only judged by what we do, but how we do it. To truly be at our best, we expect our employees and those working with us or for us (such as suppliers or contractors) to demonstrate those values and behaviours every day

Employees will always be supported for upholding our values and behaviours and our zero tolerance approach to bribery and corruption even if sometimes that means we may lose business or suffer another disadvantage. We assure ourselves of this commitment through our monitoring activities (see page 23) and continuous analysis of our speak up channels (see page 18).

This document provides an overview of the approach that Rolls-Royce takes to ethics and anti-corruption compliance.



1

# Introduction

## Our Ethics and Compliance Programme

Our programme supports our employees living our values and behaviours everyday to ensure everyone it at their best. Our programme is built around the following key principles, all underpinned by Our Code.



### Our Structure

The programme is run by our Head of Ethics and Compliance who is a member of the Enterprise Leadership Group (ELG) of Rolls-Royce. The ELG comprises of the top 80 senior managers from across Rolls-Royce. The Head of Ethics and Compliance reports to the Rolls-Royce General Counsel, a member of the Executive Committee.

The Head of Ethics and Compliance has an independent reporting line to the Chairman of the Safety, Ethics and Sustainability Committee of the Board. The Head of Ethics and Compliance provides regular reports to the Safety, Ethics and Sustainability Committee throughout the year and attends all meetings of the Committee.



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# Tone from the Top

## Ensuring our Leaders live our Values

### Message from our CEO

Our commitment to conducting business ethically is reinforced by our CEO, Warren East, in the introductory video to Our Code which states as follows:

- We must be able to be proud of the way in which we do business and interact with the outside world and with each other.
- We have worked hard to create an environment where people in Rolls-Royce can work safely and deliver excellence. This helps ensure that we are the company that people really want to work for and really want to work with. It helps keep us strong, sustainable and resilient as a business.
- It is important we all follow the principles embodied in Our Code. They will help us protect the brand and the culture and help us to be the business that we want to be.
- The Rolls-Royce Executive Leadership Team will support people who speak up and we expect our managers to do the same, with no tolerance for retaliation or bullying.

### Regular Reinforcement

Our leadership has regularly reinforced our commitment to conduct business ethically and in accordance with our zero tolerance approach to corruption, both internally and externally.

- [Warren East Code Intro >](#)
- [Warren East Deferred Prosecution Agreement \(DPA\) statement >](#)
- [Leadership talking about Anti-Bribery and Corruption >](#)

### Equipping our Managers with the Tools they need

We recognise that it is not just important for our senior leadership to set the right tone, but that this needs to be repeated and reinforced by managers throughout the organisation. Therefore, we have also issued a series of Leadership Expectations in respect of the our core values: Trusted to Deliver Excellence, Act with Integrity, and Operate Safely through which Rolls-Royce encourages all of its managers to be role models for ethical conduct.

Further ethics and compliance modules are included in our leadership training at the various levels of the organisation. In addition to our regular training and communication (see page 17) which is often manager-led, we provide monthly dilemmas and real-life case studies that managers can use to start a conversation about ethics and compliance in their team meetings.



## 3

# Risk Assessment

## Ensuring our programme is fit for purpose

### Ethics and Compliance Risk Assessment

Rolls-Royce undertakes an annual bribery and corruption risk assessment, which informs its anti-bribery and corruption programme and compliance resource. The risk assessment looks at:

- industry risks (including how competitive the markets we operate in are);
- the risks associated with the locations of Rolls-Royce companies and their sales;
- routes to market for sales (including the complexity of contractual chains and controls over payments to third parties assisting in sales);
- the types of customers we sell to (for example, government customers);
- interactions with government officials;
- other risks identified as part of the company's enterprise risk management process;
- culture (based on employee opinion survey results and issues raised via our speak up channels);
- the breadth of the Ethics and Compliance Team;

- the results of any internal Ethics and Compliance Maturity Reviews (see page 23);
- the nature and volume of speak up cases;
- findings from any audits; and
- its specialist expertise and knowledge of bribery and corruption issues arising in the industry sectors it operates in and in general.

### Deep Dive

A deep dive on the ethics and compliance programme was held with the Board in May 2019. The Head of Ethics and Compliance presented on the programme and the current controls designed to prevent and detect corruption risks in Rolls-Royce.

## 3

# Risk Assessment

## Ensuring our programme is fit for purpose

### Risk Assessment Process

In addition to the risk assessments undertaken by the Ethics and Compliance Team, compliance (which includes a number of areas not just ethics and anti-bribery and corruption) is reviewed by the Rolls-Royce Executive Team and the Safety, Ethics and Sustainability Committee of the Board as part of their consideration of our principal risks, as outlined in the Rolls-Royce Annual Report.

This involves ensuring that there are proper mitigation plans and controls in place for risks identified as part of the wider enterprise risk management process. Compliance is identified as one of our principal risks, so is subject to ongoing risk assessment, mitigation and scrutiny at the most senior levels of our organisation.

### Development

All risk assessment activity helps the Ethics and Compliance Team establish its programme for the following year, including which sites should receive an Ethics and Compliance Maturity Review (see page 23), what training and communication should be undertaken and/or where to focus resource or a new policy or procedure. This ensures that the programme is sufficiently tailored to the specific risks that Rolls-Royce faces.

In addition, specific steps taken as a result of risk assessment findings have included:

- Increasing the size and spread of the Ethics and Compliance Team, including recruiting full-time ethics and compliance personnel in some of our remote (and higher risk) locations.
- Overhauling our approach to the management and oversight of third parties.
- Launching a communication campaign on speaking up with an emphasis on the role that managers have to play in embedding a culture of speaking up.

### Identifying Resource Needs

One of the main risks identified by our initial risk assessment work was a lack of ethics and compliance resources in our business.

At the start of our work to improve our ethics and compliance programme, we had 20 ethics and compliance professionals, most of whom were based in the UK. We now have over 50 full-time professionals split between the UK, USA, Mexico, Brazil, Germany, Spain, China, Singapore and India.

4

# Policy and Procedures including Due Diligence

## Our Code and Policies

### Our Code

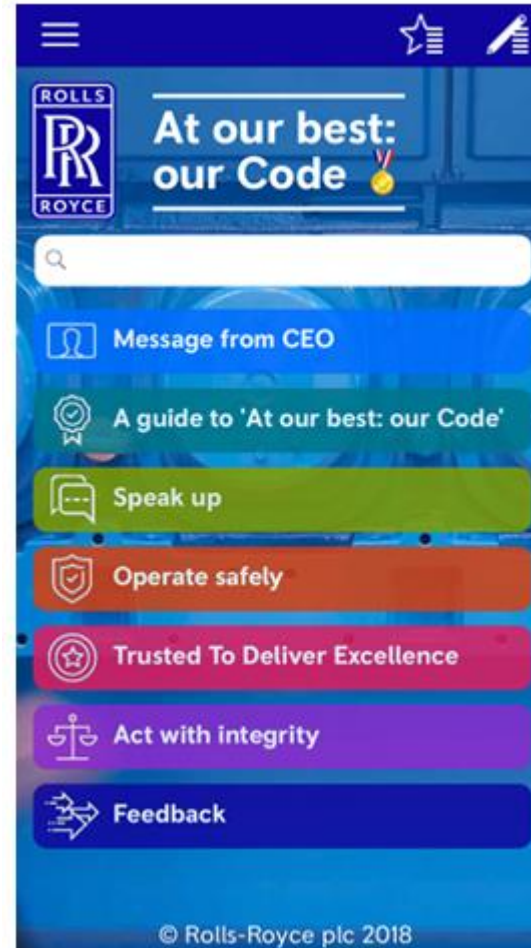
Rolls-Royce has a Global Code of Conduct which was last refreshed in 2018. The Global Code of Conduct: At Our Best (“Our Code”) is available as a short form document, with a fuller version available as a separate website.

It is also available as a digital application (“app”) downloadable by anyone onto Apple and Android devices.

Our Code provides the foundations of our ethics and compliance programme and having the fuller version available only in digital form allows us to ensure it remains fresh and current, so that it can evolve in response to emerging trends and stay fit for purpose.

Having a fully digital code of conduct allows us to track how regularly it is used and which sections people consult with, which provides useful data to feed into the development of our programme. In 2019, we recorded 65,608 instances of individuals accessing Our Code.

- [Our Code Website >](#)
- [Our Code App \(IOS\) >](#)
- [Our Code App \(Android\) >](#)



### Our Policies

In addition to Our Code, Rolls-Royce has a suite of policies, procedures and guidance governing areas relevant to ethics and compliance as follows:

- Anti-Bribery and Corruption Policy (which also covers facilitation payments)
- Confidential Information Policy (which covers the appropriate use of third party information)
- Gifts and Hospitality Policy
- Conflict of Interest Policy and Guidance
- Know Your Partner Policy and Procedures (setting out the requirements for the due diligence and management of external business partners)
- Lobbying and Political Support Policy
- Speak Up Policy
- Charitable Donations and Social Sponsorships Policy
- Offset Procedures

- [Our Group policies >](#)
- [Offset Procedures >](#)
- [Conflict of Interest Guidance >](#)
- [Know Your Partner procedures >](#)



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# Policy and Procedures including Due Diligence

## Our Code and Policies

### Our Policies

All our ethics and compliance related policies are reviewed and updated, as necessary, annually and are made available in multiple languages via our intranet. They are also available on the Rolls-Royce external website.

- [Our Group policies >](#)
- [Offset Procedures >](#)
- [Conflict of Interest Guidance >](#)
- [Know Your Partner procedures >](#)

### Extending Our Code and Policies to Third Parties

We include anti-corruption commitments in our contracts with external parties which bind them to conduct themselves in ways which adhere to the principles of the Rolls-Royce policies.

Higher risk third parties are expected to agree to more stringent contractual commitments, which may include rights of audit and indemnities (see pages 11 and 12).

Similar expectations are also set through our Supplier Code of Conduct which is provided to all suppliers as part of our procurement process.

[Supplier Code of Conduct >](#)



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# Policy and Procedures including Due Diligence Recruitment

## Conflicts of Interest

Ethics and compliance is also incorporated into the recruitment process.

New candidates are asked about potential conflicts of interest as part of that process. If the candidate does ultimately join Rolls-Royce then they are required to formally register that conflict of interest using our conflict of interest declaration form.

All declarations are maintained on a central register and reviewed (and followed up where necessary) by the appropriate member of the Ethics and Compliance Team.

[Conflict of Interest declaration form >](#)  
[Conflict of Interest Guidance >](#)

## Recruiting the Right People

In addition, subject to any legal restrictions which may apply in a particular territory (such as the “revolving door” requirements when recruiting former government officials), new recruits (including contractors) are subject to pre-employment screening which includes checks for potential bribery and corruption red flags.

The Ethics and Compliance Team is directly consulted on any recruitment into the Rolls-Royce senior management group to advise on what additional screening is necessary.

As a minimum, senior recruits are screened using a tool which checks whether they are named in any adverse media or government watchlists.

For higher risk roles, a due diligence report is obtained on the new recruit from a corporate intelligence provider.

## Recruiting former public officials

When recruiting former public officials, we abide by the applicable rules and regulations relevant to the territory and the circumstances of that recruitment.

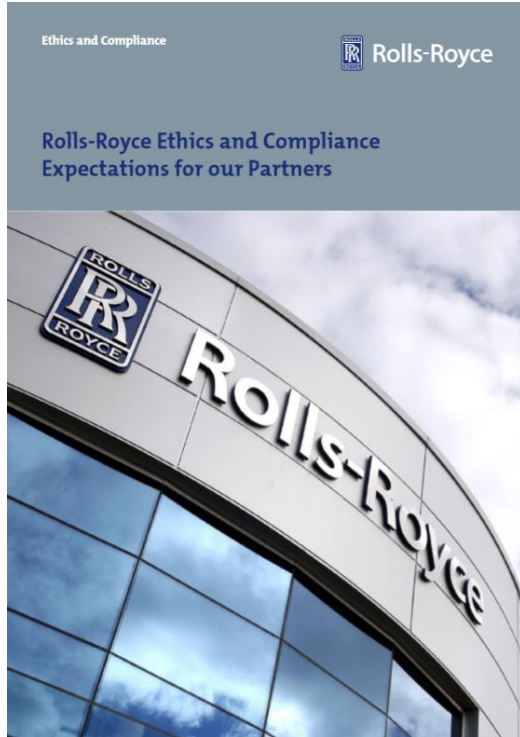
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# Policy and Procedures including Due Diligence

## Third Parties

### Our Expectations of Business Partners

Rolls-Royce expects the third parties it deals with to demonstrate the same commitment to conducting business ethically and in accordance with its commitment to anti-corruption.



[Expectations of our Business Partners >](#)

### Due Diligence

The Rolls-Royce Know Your Partner Policy and Procedures provide employees with a framework to do this and set the levels of due diligence, approval and ongoing monitoring required for all third parties with which we deal.

The Know Your Partner Procedures incorporate a risk assessment that risk rates third parties based on the following factors:

- The type of service or activity undertaken by the third party on behalf of Rolls-Royce;
- The country of incorporation of the third party;
- The territory(ies) in which the third party will be providing services to Rolls-Royce;
- Whether the third party will be interacting with public officials, directly or indirectly, in connection with Rolls-Royce business (for example, lobbyists); and
- The method by which the third party will be paid (for example, commission, sales bonus, profit share, discount, rebate or success fee).



[Know Your Partner procedures >](#)

### Higher Risk Third Parties

Higher risk third parties would typically include lobbyists, distributors, agents/intermediaries, suppliers of logistics services (such as freight forwarders and customs brokers) and visa agents.

These third parties are subject to stringent due diligence on both the third parties and their ultimate beneficial owners and require senior level approval. The approval may be subject to a variety of conditions including:

- Ethics and Compliance Team approval of payments
- Limits on activities (product type and geography)
- Refreshing the due diligence within accelerated timescales (for example, 1 or 2 years)
- In-depth audits supported by external lawyers and forensic experts
- Monitoring by our own teams
- Appointment of commercial contract monitors
- Requirement for regular activity reports from third party
- Limits on commission rates and discounts payable to the third party

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# Policy and Procedures including Due Diligence

## Third Parties

### Ongoing Monitoring

Rolls-Royce expects its third parties to sign up to anti-bribery and corruption commitments as part of their contracts with Rolls-Royce. The commitments provide a framework for ethical business and allow Rolls-Royce to terminate those contracts in the event of breaches.

For higher risk third parties, the contracts include audit rights (which we exercise on rotation), a commitment from the third party to implement its own ethics and compliance programme, an agreement from the third party to take part in training provided by Rolls-Royce and a requirement to inform us of changes in ultimate beneficial ownership.

As part of our ongoing monitoring, some third parties will also be required to submit to performance review and to provide written reports on their activities. The Ethics and Compliance Team is required to approve all payments to the highest risk third parties.

### Supplier Management

The onboarding of new suppliers (regardless of value) and oversight of existing suppliers is overseen by dedicated Procurement teams.

The Procurement teams also conduct ongoing monitoring to look for any expenditure that is committed to outside of this process. In addition, purchasing (including adherence to procurement processes) is an area that is subject to regular audits by our Internal Audit team (at least every three years).

### Training our Third Parties

For high risk business partners, such as agents and distributors, copies of policies and training are provided during site visits to those business partners conducted as part of our due diligence.

Online training has also been made available for business partners which is tailored to them and talks about their role and our expectations of them from an ethics and compliance perspective.

For certain types of business partners, training is provided in person during business partner conferences. For other partners the principles of the Rolls-Royce approach to combating corruption are covered in our Supplier Code of Conduct or the “Rolls-Royce Ethics and Compliance Expectations for our Partners” document.

[Know Your Partner procedures >](#)

### Higher Risk Third Parties

To assist third parties that need to improve their ethics and compliance programmes, we have developed an Anti-Bribery and Corruption Compliance Programme Guidance document which sets out the basic elements Rolls-Royce expects its high risk third parties to have in their own compliance programmes.

It provides practical guidance on what steps those third parties can take to improve their own approaches to ethics and compliance.

[Anti-Bribery and Corruption Compliance Programme Guidance >](#)



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# Policy and Procedures including Due Diligence

## Mergers and Acquisitions (M&A)

### M&A Risk Assessment

The Ethics and Compliance Team is involved with all M&A activity, including new acquisitions, disposals and joint ventures.

Ethics and compliance due diligence is conducted on all acquisitions, investments and joint venture partners and the approval of the Head of Ethics and Compliance is required before the M&A can proceed.

The due diligence is risk-based and takes into account key risk indicators including:

- the location of the target, joint venture and/or joint venture partner(s);
- the location(s) in which the target or joint venture will operate (including locations of sales);
- the nature of the business of the target or joint venture;
- government exposure (such as a target or joint venture partner that is state-owned, reliance on government approvals/licences and exposure to government customers); and
- the size of the acquisition or investment (both in real terms financially and in terms of the percentage stake that Rolls-Royce will acquire).

### M&A Due Diligence

Typically, the due diligence involves obtaining:

- detailed information on the target (or joint venture partner), including who its ultimate beneficial owners are, and on its current approach to ethics and compliance;
- a due diligence report from a corporate intelligence provider on the target (or joint venture partner); and
- interviews of relevant representatives of the target (or joint venture partner) conducted by the Ethics and Compliance Team.

Rolls-Royce will (and has) abandoned proposed acquisitions due to concerns raised during due diligence about apparent unethical practices of targets.

### Post Acquisition

As soon as possible post acquisition, we conduct extensive ethics and compliance audits of new acquisitions (typically utilising external lawyers or forensic experts) to ensure any potential areas of risk not identified during due diligence are picked up.

All new acquisitions are integrated fully into the Rolls-Royce ethics and compliance programme in accordance with a structured plan involving the implementation of the Rolls-Royce policies, the delivery of training, due diligence on third parties and the implementation of the Rolls-Royce speak up channels.

## 4

# Policy and Procedures including Due Diligence

## Joint Ventures

### Ethics and Compliance Programme

The Rolls-Royce ethics and compliance programme is appropriately implemented in all majority-owned joint ventures.

For all other joint ventures or investments, Rolls-Royce works closely with its joint venture partners to embed ethics and compliance programmes that reflect the principles of the Rolls-Royce programme.

In some instances, those joint ventures have adopted the Rolls-Royce programme in full, whilst in others the programme may be that of a joint venture partner or a bespoke programme for the joint venture.

### Training

Training is provided to Rolls-Royce employees who are joint venture directors covering their duties as directors (which refers to the Rolls-Royce anti-corruption policies) and the expectations on joint venture directors to maintain appropriate oversight of joint ventures and escalate potential anti-corruption issues to the Ethics and Compliance Team.

In addition, an Ethics and Compliance Joint Venture Toolkit has also been issued within Rolls-Royce which provides further guidance to Rolls-Royce employees who either work at joint ventures or are directors of joint ventures

### Ongoing Monitoring and Oversight

The Ethics and Compliance Team maintains regular contact with joint ventures and joint venture partners as part of the ongoing oversight of their activities.

This oversight includes ethics and compliance reviews, regular calls and meetings on ethics and compliance topics and the delivery of training by the Rolls-Royce Ethics and Compliance Team to joint venture personnel.

Joint ventures are subject to the monitoring and assurance activity detailed on page 23, including internal audit reviews and Ethics and Compliance Maturity Reviews.

### Joint Venture Agreements

All new joint venture agreements include ethics and anti-bribery and corruption representations and undertakings and a requirement for the joint venture partners to support and assist the implementation of an ethics and anti-corruption programme within the joint venture.

Joint venture partners are also asked to sign up to the “Rolls-Royce Ethics and Compliance Expectations for our Partners” document.

Rolls-Royce reserves the right to exit a joint venture if the joint venture partner does not demonstrate an appropriate level of commitment to ethics and compliance.

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# Policy and Procedures including Due Diligence Offset

## General Approach

As a first-tier supplier, rather than a prime contractor, Rolls-Royce has limited exposure to offset. Nonetheless, we have Offset Procedures which are designed to ensure that the anti-corruption risks associated with offset are properly managed.

Our general approach to offset is to first explore options for satisfying offset through activities that are complementary to our normal business activities. This substantially reduces the corruption risks and helps to ensure the longer term viability of our offset projects. The majority of our offset obligations are satisfied in this way.

[Offset Procedures >](#)

## Offset Team

Within Rolls-Royce there is a dedicated offset team whose role is to ensure that Rolls-Royce delivers on its offset obligations.

This team is responsible for developing offset plans, agreeing them with customers and monitoring offset projects from start to finish, working with a dedicated member of the Ethics and Compliance team to manage anti-corruption risks.

The team is entirely independent of the Rolls-Royce businesses to ensure it is not subject to any commercial pressures which could create possible risks when the company is deciding how to deliver on its offset obligations.

No offset projects can be undertaken without the involvement and approval of the Offset team.

## Due Diligence

Offset partners are subject to risk-based due diligence in accordance with the requirements of our Know Your Partner Procedures.

There is an additional approval process in place for offset. For all offset projects this requires the preparation of a written business case setting out why a specific offset project and/or partner is being proposed.

4

# Policy and Procedures including Due Diligence

## Lobbying and Political Activity

### Approach to Lobbying

We have a Lobbying and Political Support Policy which provides a framework for how we engage in political activity, supported by our other group policies governing anti-bribery and corruption, conflicts of interest and gifts and hospitality. The majority of our lobbying activity is conducted by Rolls-Royce employees who are subject to the full requirements of our ethics and compliance programme.

We engage in some lobbying activities in the USA, the EU and Canada. These activities are mainly conducted via Rolls-Royce employees and our activities are listed in accordance with the requirements of the lobbying registers in those jurisdictions. For example, in the USA, Rolls-Royce performs lobbying activities on the federal and state levels and we abide by all applicable federal and state statutes (i.e. the Lobby Disclosure Act of 1995). Detailed information on our lobbyists, our expenditures and our lobbying topics are regularly disclosed on two public websites sponsored by the United States Congress:

[https://www.senate.gov/legislative/Public\\_Disclosure/LDA\\_report\\_s.htm](https://www.senate.gov/legislative/Public_Disclosure/LDA_report_s.htm) and <https://lobbyingdisclosure.house.gov/>

Fields of interest regarding EU policies have included: Climate Action; Competition; Customs; Economy, Finance and the Euro; Education and Training; Employment and Social Affairs; Energy; Environment; Foreign Affairs and Security Policy; Research and innovation; Taxation; Trade; and Transport.

### External Representation

We only engage one external party to support our lobbying activities and this entity has been subject to our Know Your Partner due diligence and monitoring procedures.

Rolls-Royce is also a member of various industry associations, some of which may be involved with making representations on behalf of their members in relation to specific topics or industries. Examples of these industry associations include:

- Aerospace & Defence Industries Association of Europe
- Confederation of British Industry – EU Committee
- Euromot
- European Association of Corporate Treasurers
- European Aviation Club
- EFFRA
- European Business Initiative on Taxation (EBIT)
- Cogen Europe
- European Round Table of Industrialists (ERT)
- European Engine Power Plants Association (EUGINE)
- Future of Occupational Pensions in Europe (FOPE)

### Serving Politicians

Rolls-Royce does not engage currently-serving politicians to support its business activities given the potential for the appearance of possible conflicts of interest.



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# Training and Communication

## Ethics and Compliance Training

### Ethics Training

Each year, all employees are required to complete mandatory ethics training which helps set the general tone for the expected behaviours within Rolls-Royce. In addition to encouraging employees to become more familiar with what is in Our Code and its applicability to their role, the data captured from the training is also used to inform updates to Our Code, our compliance policies and procedures and the ethics and compliance programme more generally.

To ensure the ethics training is not seen as a once-a-year activity, the following supplementary materials are made available to all employees:

- Monthly ethical dilemmas, which allow employees to consider real Rolls-Royce examples of dilemmas, vote on what they would have done and learn from the actual resolution of the matter;
- Anonymised case studies of ‘real-life’ cases that have recently concluded to share what things people are speaking up about, what the company did about these and what learning we can get from these concerns.
- A report is published to all employees annually that summarises the reporting of concerns (this is called “speak up” within Rolls-Royce); and
- A range of speak up posters has been created and displayed throughout Rolls-Royce.

### Compliance Training

In addition, annual compliance training is provided to employees via elearning modules. This training typically focuses on a specific area of compliance; the most recent topics covered have included:

- facilitation payments;
- conflicts of interest; and
- gifts and hospitality.

For those employees with a higher risk of exposure to corruption matters (based on a combination of seniority, role and location), face-to-face anti-corruption training is provided every two years in addition to the annual e-Learning.

The training is interactive and often involves the use of case studies for discussion. The training is tailored to ensure the case studies used are particularly relevant to the audience. For 2019 the main topic covered was around confidential information. This was the chosen topic due to the various monitoring activities of our programme which indicated that this was an area that required focus.

Our leaders are also required to certify annually that they have read Our Code, understand how it applies to their role and will comply with it.

All training has various feedback mechanisms to help us ensure it is effective and improved as required.

### Effectiveness of our communications & training

Examples of how we measure our effectiveness include:

- Direct feedback on training modules
- Direct feedback on each communication posted on our intranet is available through a comment functionality
- Various metrics from other areas of the programme including speak up statistics, conflict of interest reporting and gifts and hospitality reporting
- Results from Ethics and Compliance Maturity Reviews
- Usage and readership levels from various communication tools
- Comments within our all employee opinion survey

# 6

## Speak Up Raising Concerns and Queries

### Our Speak Up Channels

Rolls-Royce is committed to creating and maintaining an environment where anybody working with us (including employees, suppliers, customers and the communities in which we operate) feels empowered to raise concerns about anything that may breach Our Code.

In Rolls-Royce we call this “speak up”. We encourage informal conversations to resolve things. But, if required, we have four main channels for employees to raise concerns, or ask questions:

- A leader;
- A subject matter expert (such as the Ethics and Compliance Team, Human Resources or the Health and Safety Team);
- Local Ethics Advisers (find out more on page 19);
- The Rolls-Royce Ethics Line (find out more on page 19).

[Ethics Line >](#)

### Support for our Leaders

Guidance is available for our leaders as to what to do when an employee raises an ethical concern or asks a question via our Ethics Toolkit for Leaders and they are encouraged to create an environment where employees feel safe to speak up.

Employees will often get the best and swiftest resolution to an issue if they raise it to their line leader, so we work to equip our leaders with the skills and tools they need to help employees with their concerns.

In 2019, we ran a “Speak Up Campaign” outlining the importance of speaking up by focusing on the listening and feedback skills leaders and others that employees turn to need.

### Facts and Figures

# 738

concerns raised in 2019 via our Ethics Line, our Local Ethics Advisers and directly to members of the Ethics and Compliance Team.

# 135

case increase compared with 2018.

6

# Speak Up

## Raising Concerns and Queries

### Local Ethics Advisers (LEAs)

LEAs are our network of employees in a variety of functions and positions across Rolls-Royce who take on the role in addition to their existing job.

They are there to help employees find an answer to, or deal with, an ethical concern or question on a confidential and anonymous basis should the employee prefer to do so.

There are currently over 150 LEAs appointed throughout the company. LEAs are provided with regular training throughout the year.

As part of our Speak Up Campaign in 2019, we created a pack for LEAs to help them promote their roles.

### Ethics Line

The Ethics Line is an independently managed telephone hotline and web portal which allows employees and external third parties to raise concerns or ask questions on a confidential and anonymous basis.

Each contact is referred to the Ethics and Compliance Team to determine the next steps which may include sending the contact to a relevant subject matter expert to conduct an investigation, with oversight from the Ethics and Compliance Team.

Investigations may not always be necessary or possible for a number of reasons, including where the issue has already been thoroughly investigated previously, insufficient information was provided to enable any sort of investigation and where there are legal restrictions preventing Rolls-Royce from being able to investigate the matter. However, the starting point is always that an investigation should be conducted.

[Ethics Line >](#)

### Facts and Figures

738

new cases raised in 2019

432

required an investigation to be resolved.

6

# Speak Up

## Handling Concerns and Queries

### Handling Cases

All internal investigations related to ethics and compliance are subject to the same process and expectations whether they were the result of issues raised via the Ethics Line or issues brought to the direct attention of the Ethics and Compliance team (for example, as a result of incidents or direct approaches).

Once an investigation has been concluded, the Ethics and Compliance Team will review to ensure that the investigation was sufficiently thorough and will feed back to the reporter.

We set a target of 60 days for the completion of investigations into speak up cases. More complex investigations are handled by specialist, trained internal investigators or, sometimes, with support from external lawyers or forensic experts.

### Investigations Monitoring Group

Some investigations require a higher level of oversight due to the significant risks they create, and we have established a committee of senior subject matter experts to provide this oversight for such cases.

The committee, known as the Investigations Monitoring Group, ensures that such investigations are appropriately resourced and managed. The Investigations Monitoring Group includes senior representatives from the Ethics and Compliance Team, Human Resources, Security, Legal and Internal Audit.

Those asked to support investigations overseen by the Investigations Monitoring Group have been provided with detailed, modular training to develop the skills and knowledge required for such investigations. This training has covered areas such as data privacy, interviewing techniques and IT forensic techniques.

### Facts and Figures

80%

of our cases were closed within our 60 day target in 2019.



6

# Speak Up

## Handling Concerns and Queries

### Disclosures

For serious cases highlighting potentially illegal behaviour, one of the first assessments that the Head of Ethics and Compliance makes is whether or not it is necessary to make a disclosure to one or more regulators or prosecutors about the alleged misconduct.

### Retaliation

Rolls-Royce has a strict policy of non-retaliation against individuals who raise concerns in good faith as set out in our Speak Up Policy. We monitor reporting rates across our locations to look for any suggestions that this may be connected to a fear of retaliation. Employees are also encouraged to report any concerns about retaliation via our normal speak up channels. Of the 738 cases received in 2019, only six were in relation to alleged retaliation.

### Complaints about an investigation

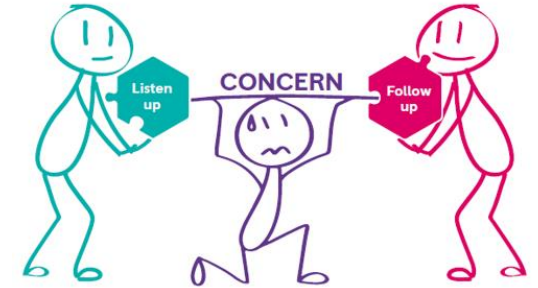
All employees have the right to raise complaints to the Head of Ethics and Compliance, or the General Counsel, or the Chairman of the Safety, Ethics and Sustainability Committee of the Rolls-Royce plc Board.

### Root Cause Analysis

Root cause analysis is also conducted on all substantiated cases in order to ensure that appropriate remedial action is taken to prevent further similar misconduct. This is overseen by the Ethics and Compliance Team to ensure consistency and to enable trend analysis and a case cannot be closed until the root cause analysis has been completed.

### Board Level Oversight

The Head of Ethics and Compliance provides regular, formal reports to the Safety, Ethics and Sustainability Committee of the Board throughout the year in relation to investigations through a combination of statistics and more detailed information on more serious cases. This enables a regular consideration at the most senior level of the company as to whether our procedures, resources and training for investigators are sufficient.



**Always at our best**

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# Reward and Discipline

## How we encourage the right behaviours

### Measuring Performance

Managers at Rolls-Royce are measured not only on what they do but how they do it.

50% of a manager’s performance rating is dependent on our values & behaviours, i.e. how an individual achieves their objectives, not just what they achieve. In turn, this impacts on a manager’s pay and bonus opportunity.

We do not operate any bonus plans based on an employee specific role (for example, sales incentive bonuses for our employees in sales roles).

Another example of how we encourage ethical conduct is via the annual “Trusted to Deliver Excellence Awards”, which celebrate outstanding performance. Nominated projects are explicitly assessed against both what they deliver and how they do it (including integrity and creating trust).

### Consequences of Non-Compliance

Since 2018, managers who fail to complete any part of their annual mandatory training can have their performance grade affected because of this. This usually is a U rating, that is the lowest rating an individual can receive and it means that the employee is not eligible for a bonus for that year.

Since this was introduced, the mandatory training has included training on ethics, conflicts of interest, gifts and hospitality, data privacy and export control.

In accordance with local legal frameworks and agreements, in some countries we operate in, information and consultation is required before this can be fully implemented.

### Sanctions and Discipline

Where investigations highlight potential breaches of the ethics and compliance programme, this may lead to disciplinary action being taken. The Ethics and Compliance Team works closely with our Global Employee Relations and Compliance Team to provide counsel and ensure the consistent application of disciplinary procedures in relation to all employee-related breaches of Our Code.

### Facts and Figures

85

employees left Rolls-Royce for reasons related to breaches of Our Code in 2019.



# Monitoring and Assurance

## Verifying the effectiveness of our programme

### Monitoring and Assurance

Rolls-Royce subjects its ethics and compliance programme to a regular programme of internal and external review to ensure that it remains fit for purpose, is responding to emerging risks and we implement relevant improvements.

#### Lord Gold

From January 2013 to August 2019, Rolls-Royce retained an independent, external expert (Lord Gold) whose role was to oversee our ongoing work to continuously improve the ethics and compliance programme.

Lord Gold provided a series of recommendations for areas of improvement that were implemented. He reported directly to the Rolls-Royce Board and had regular interactions with the Head of Ethics and Compliance, General Counsel and wider Rolls-Royce leadership. His role provided ongoing, external monitoring and assurance of the programme.

#### External Audit

The external auditors to Rolls-Royce undertake testing and reviews of the ethics and compliance programme on a six-monthly basis as part of their audit work. The scope of this audit work and any findings are included in the Annual Report.

### Internal Audits

Since 2017, the Internal Audit Team (which is independent of the Ethics and Compliance Team) has undertaken a programme of annual audits reviewing the implementation of various anti-corruption policies across the company. This has entailed audits of conflicts of interest, gifts and hospitality, offset and the onboarding and management of high risk third parties. Where issues are identified, remediation steps and improvements to the ethics and compliance programme may be required. Ownership of those improvement actions is assigned to senior individuals, either in the Ethics and Compliance Team or in other areas of management as appropriate.

The internal audit programme is overseen by the Audit Committee of the Board which receives updates on trends and issues at a high level and which monitors the completion of audit actions to agreed deadlines.

### Ethics and Compliance Maturity Reviews

The Ethics and Compliance Team also undertakes its own monitoring and assurance work in order to test the embedding of the ethics and compliance programme across the group, via “Ethics and Compliance Maturity Reviews” (ECMRs). ECMRs help us to identify those areas where extra support or further training is required and enable us to ensure that the policies are relevant, meaningful and fit for purpose. Typically, they involve a combination of employee interviews and reviews of documentation (such as expense records and customer and supplier data) and training.

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# Further Information

## Where to go for more

Our Code is available online and is available to download for Apple and Android devices via the respective app stores.

Further information is also available on the Rolls-Royce website under Sustainability.

If you wish to report a concern about alleged breaches of Our Code then you can access our Ethics Line service.

Rolls-Royce is a supporter of collective action to combat corruption around the world. To understand more about some of the collective efforts to combat corruption that we support you can access the following websites:

- The International Forum on Business Ethical Conduct
- The Aerospace, Defence & Security (ADS) Group - Business Ethics Network
- The Institute of Business Ethics

<https://ourcode.rolls-royce.com> >

<https://www.rolls-royce.com/sustainability/ethics-and-compliance.aspx> >

[www.rolls-royce.com/ethicsline](http://www.rolls-royce.com/ethicsline) >

<http://ifbec.info> >

<https://www.adsgroup.org.uk/membership/groups-committees/business-ethics-network/> >

<https://www.ibe.org.uk> >

