

UK Gender Pay Report 2020

Rolls-Royce Holdings plc



We are committed to creating an environment where every employee can reach their full potential by encouraging wellbeing and development in an inclusive environment. We recognise that a diverse workforce is crucial to achieving a high-performance culture and is a key enabler of innovation, and an inclusive environment is critical to retaining this diverse talent.

During 2019 we moved to our new job evaluation levels. As part of this, we completed an audit to ensure salaries were aligned appropriately to the new structure and adjusted where appropriate. The benefit of this can be seen in this report.

In early 2020, the impact of the Covid-19 pandemic was beginning to be realized and the need for significant restructuring became apparent. The full impact of these actions will be shown in our 2021 report.

We do not have an equal pay issue between genders on a job-by-job basis and both the pay gap and the bonus gap have reduced on both mean and median basis since 2019. The reducing pay gap is explained primarily by the changing distribution of our workforce, with more women in higher paid positions than in previous years, while the bonus gap reflects the fact that proportionately more women are in management roles than men (of the female population 25% are in management roles while only 17% of men are in management roles) which attracts a higher on target bonus.

Pay difference between women and men: All our Rolls-Royce employees in the UK

at 5 April 2020

Our Gender Pay Gap

	2020	2019
Median Gender Pay Gap across all Rolls-Royce employees in the UK	5.0%	8.4%
Mean Gender Pay Gap across all Rolls-Royce employees in the UK	3.0%	7.1%
UK's National Gender Pay Gap <i>Source: Office of National Statistics 2020</i>	15.5%	17.4%

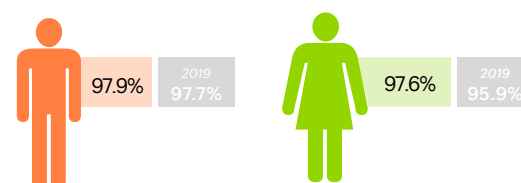
The above snapshot shows the difference between the average (mean and median) hourly pay levels of all women compared to all men, irrespective of their role or level in the organization. This is expressed as a percentage of men's average pay. The median average pay of all our women in the UK is 5% lower than all our men whilst the mean average pay is 2.9% lower for women compared to men. For comparison the UK's national median gender pay gap in 2020 was 15.5%. The hourly pay figure includes all items specified in the regulations, such as allowances and shift pay.

The "gender pay gap" is an average figure and is distinct from "Equal pay", which looks at the individual level and is about ensuring that men and women are paid the same for carrying out the same work, or work of equal value. When we look at the salaries between men and women in equivalent roles, we do not have any equal pay issues.

We have a variety of mechanisms to ensure consistency in reward between men and women in equivalent roles or doing the same work. These include spot rates in our manufacturing sites and a structured approach to job sizing and pay determination in other areas of the business.

Proportion of all UK employees receiving a bonus

in 12 months preceding 5 April 2020

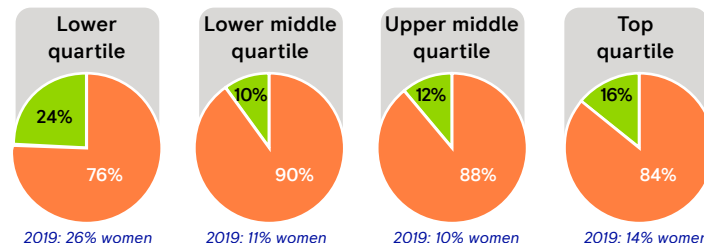


The Rolls-Royce UK bonus programme applies to all levels of employees, which accounts for our high percentages of inclusion. The change in the bonus gap has been driven by the fact that proportionately more of the female population are in management roles, which attract a higher on target bonus.

Pay quartiles across UK employees

at 5 April 2020

Gender distribution across Rolls-Royce in the UK in four equally sized hourly pay quartiles



Overall, women currently represent 15.7% of our UK employees. Women are currently less well represented than this figure in the middle two quartiles due to proportionally more men being in professional level roles which are dominated by Engineering, and also the shop floor population which attract a premium for working shifts.

Increasing the number of women in our business and moving towards an equal distribution of men and women across all levels is a priority for us. We are making progress on this in many ways, such as significantly increasing the proportion of women in our apprentice and graduate intakes and the proportion of women in management and senior management levels is higher than our UK average.

Bonus difference between women and men

in 12 months preceding 5 April 2020

Bonus	Mean	Median
2020	1.2%	6.0%
2019	13.7%	15.3%

Increasing our focus on diversity and inclusion

At April 2020, our total female workforce in the UK stood at 15.7% an increase from 15% in 2019. We have proportionally more women than men employed in less well-paid roles, which is partly a consequence of our recent success in achieving increased diversity in our early career apprenticeships and graduate recruitment activities. We have made good progress towards our 2020 diversity target, which aimed to have female employees make up 17% of our global workforce by December 2020 (16.7% as of April 2020). We have been actively recruiting from groups typically underrepresented in our sector, particularly women. In April 2020, across our global workforce, we had:

- 22.2% women in our enterprise leadership population
- 29% women in our graduate population
- 28.6% women in our High Potential population

In 2019, we refreshed our D&I strategy and accelerated its implementation. Our strategy focuses on four main areas: leadership and governance, attraction & recruitment, engagement and retention, and development. We continue to increase representation of women at all levels to create an inclusive environment. Promoting flexible working, integrating

diversity into our talent reviews and providing a structured mentorship programme, Next Generation Women are examples of the significant actions we are taking.

Diversity is a significant challenge for the engineering sector as a whole. Through our community investment and education outreach programmes, we aim to engage young people from diverse backgrounds in STEM subjects at an early age to increase our pipeline.

We continue to work with organisations such as the Financial Times and Women in Aviation and Aerospace Charter. We support initiatives driven by these organisations and others, and sponsor awards such as Female Undergraduate of the Year to celebrate success and showcase female role models in the engineering sector. Our global diversity and inclusion and anti-discrimination policies ensure that all employees, regardless of their diversity, are treated with dignity and respect, and feel safe and empowered to work without fear of bullying and harassment.

We remain determined to increase the diversity of our workforce and working together to create a company where every person can be at their best.

UK Gender Pay Report 2020

Rolls-Royce Holdings plc



Across our legal entities

The regulations ask for data on employing legal entities in the UK which have more than 250 employees.

Rolls-Royce Holdings plc has three such entities. To compare the data to last year's, please see the 2019 UK Gender Pay Report.

Rolls-Royce plc

Rolls-Royce plc has 19,259 employees, 15.2% are women.

Pay and bonus difference between women and men

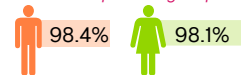
at 5 April 2020

	Mean	Median
Hourly Pay	0.1%	2.8%
Bonus	-4.8%	1.3%

This chart, and those of the other legal entities below, show the percentage by which women's average hourly pay and bonus pay is lower compared to men.

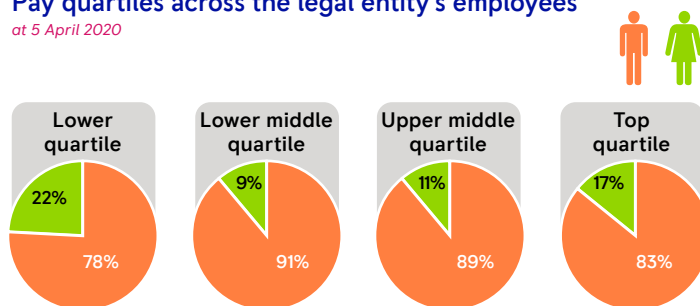
Proportion of employees receiving a bonus

in 12 months preceding 5 April 2020



Pay quartiles across the legal entity's employees

at 5 April 2020



Rolls-Royce Submarines Ltd

Rolls-Royce Submarines Ltd has 2,893 employees, 16.7% are women.

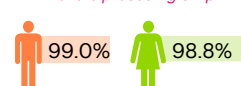
Pay and bonus difference between women and men

at 5 April 2020

	Mean	Median
Hourly Pay	6.4%	3.6%
Bonus	19.9%	14.5%

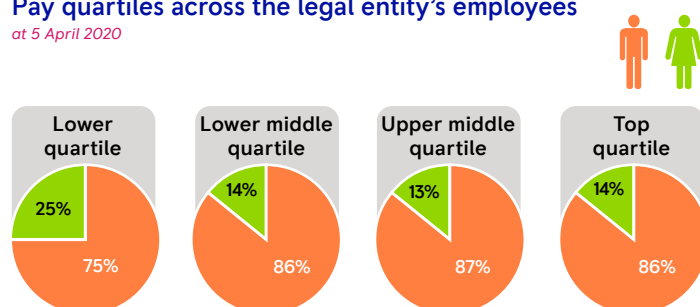
Proportion of employees receiving a bonus

in 12 months preceding 5 April 2020



Pay quartiles across the legal entity's employees

at 5 April 2020



Ross Ceramics Limited

Ross Ceramics has 302 employees, 45.4% are women.

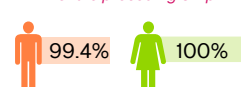
Pay and bonus difference between women and men

at 5 April 2020

	Mean	Median
Hourly Pay	12.9%	7.1%
Bonus	19.9%	6.8%

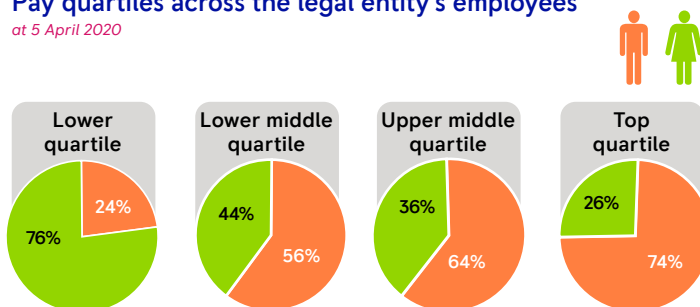
Proportion of employees receiving a bonus

in 12 months preceding 5 April 2020



Pay quartiles across the legal entity's employees

at 5 April 2020



We confirm the data reported is accurate

Warren East
For Rolls-Royce Holdings plc
Warren East
CEO

Steven Dearden
For Rolls-Royce Submarines Ltd
Steven Dearden
President Submarines - Defence

Daniel Parrott
For Ross Ceramics Ltd
Daniel Parrott
Manufacturing Executive - Casting & Cores