

We're committed to creating a diverse and inclusive place to work where our people can be themselves and be at their best. This is fundamental to creating a more innovative and higher performing company for the future. One that better reflects and serves our customers and where we work around the world. We take this commitment very seriously and already have initiatives underway and more planned, to make it happen.

We welcome the UK Government's requirement for large companies to be more transparent on gender pay.

As required by the UK legislation we share our data for our three legal entities that employ more than 250 people. We also show the total picture for Rolls-Royce in the UK regardless of employing entity.

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

at 5 April 2017

| | |
|---|-------|
| Median Gender Pay Gap across all Rolls-Royce employees in the UK | 8.1% |
| Mean Gender Pay Gap across all Rolls-Royce employees in the UK | 8.3% |
| UK's National Gender Pay Gap <small>Source: Office of National Statistics 2016</small> | 18.1% |

The diagram above shows our "gender pay gap". This is a snapshot of the difference between the average hourly pay levels of all women compared to all men, irrespective of their role or level in the organisation, expressed as a percentage of men's average pay. Our figures show that the median average pay of all our women in the UK is 8.1% lower than that for all our men. For comparison the UK's national gender pay gap is 18.1%. The hourly pay figure used to calculate the difference 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. The evaluation of our gender pay data indicates that the difference in average pay is due to proportionately more men being in senior, higher paid roles. When we look at the salaries between men and women in the same grade the differences reduce significantly.

We have a variety of mechanisms to promote consistency in reward between men and women on the same job grade 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.

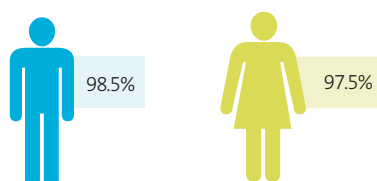
Bonus difference between women and men

in 12 months preceding 5 April 2017

| | Mean | Median |
|-------|------|--------|
| Bonus | 9.5% | 8.9% |

Proportion of all UK employees receiving a bonus

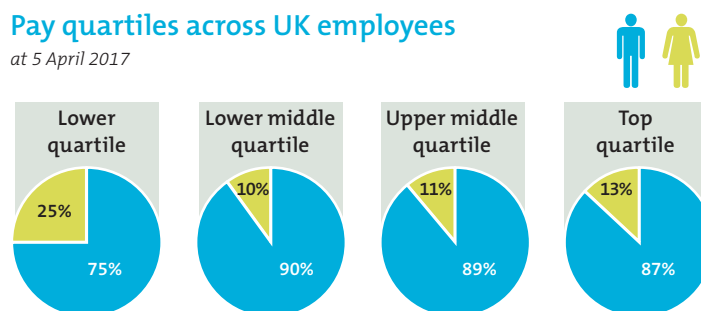
in 12 months preceding 5 April 2017



Rolls-Royce UK has bonus programmes for all levels of employees which accounts for our high percentages of inclusion for both men and women.

Pay quartiles across UK employees

at 5 April 2017



The charts above show the gender distribution across Rolls-Royce in the UK in four equally sized hourly pay quartiles, each containing approximately 5640 employees. For example, within the lower quartile 75% of employees are men and 25% women.

Overall, women currently represent 15% of Rolls-Royce UK employees. Women are less well represented than this figure in the higher pay quartiles due to proportionately more men being in senior level roles.

Increasing the number of women in our business and moving towards an equal distribution of men and women across all levels is very important. We are making progress on this in many ways, such as increasing the proportion of women in our apprentice and graduate intakes and in several of our senior management grades the proportion of women has moved towards 20%. These and other actions to make a difference are described below.

How we're continuing to take action to make a difference

At April 2017, our total female workforce in the UK stood at 15%. We would like this to be much higher and along with many other engineering companies, we're actively working to increase the number of women at all levels in our company.

Encouraging young women to see science, technology, engineering and mathematics (STEM) as a future career is a key focus for us. It's a challenge we've embraced and we're working closely with schools, universities and youth organisations. We're already nearly half way in achieving our aim of reaching 6 million people by 2020 with our STEM activities and over 1,000 of our people act as ambassadors to help us.

We also sponsor awards such as Female Undergraduate of the Year and Young Woman Engineer of the Year to celebrate success and showcase role models.

In the year to 5 April 2017, the proportion of women recruited as UK apprentices in our 2016 intake increased to 17%, and the proportion of female UK graduates increased to 22%. This improving trend is continuing for the 2017 intake helping boost women in our talent pipeline.

To support the number of women in senior manager positions we have introduced 50:50 shortlists, implemented a Board Experience programme and have partnered with the FT 125 Women's Forum. At pre-management level

we have a dedicated training programme for women which aims to develop their potential and our UK Gender Diversity Network is in the early stages of introducing a mentoring scheme to support the further development of a talent pipeline.

We continue to work with organisations such as Women in Science and Engineering, Women in IT, Women in Finance and Women in Nuclear to boost our visibility amongst potential female talent. We support initiatives driven by these organisations and others, such as the Institution of Engineering and Technology (IET) #9isnotenough campaign.

All of this is underpinned by an increased focus on embedding diversity and inclusion into our culture to create a higher performing and innovative company. Our newly formed Global D&I Council jointly chaired by our Chief Operating Officer and Group HR Director will help us deliver our refreshed diversity and inclusion strategy and vision. This is supported by clearer measurement, accountability, and being integrated into how we train our managers and leaders.

Together we're creating a company where every person can be themselves and be at their best.

Across our legal entities

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

Rolls-Royce Group Plc has three such entities

Rolls-Royce Plc

Rolls-Royce has 19513 employees, of which 14.4% are women.

Pay and bonus difference between women and men

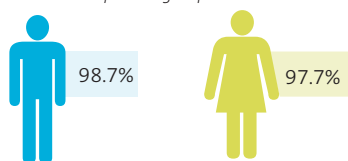
at 5 April 2017

| | Mean | Median |
|------------|------|--------|
| Hourly Pay | 6.3% | 6.3% |
| Bonus | 5.5% | 7.4% |

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.

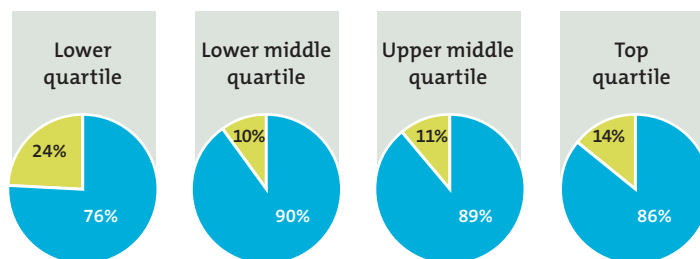
Proportion of employees receiving a bonus

in 12 months preceding 5 April 2017



Pay quartiles across the legal entity's employees

at 5 April 2017



Rolls-Royce Power Engineering Plc

Rolls-Royce Power Engineering Plc has 1925 employees, of which 18.5% are women.

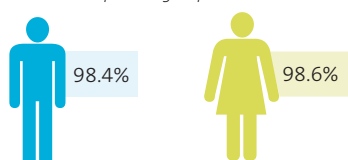
Pay and bonus difference between women and men

at 5 April 2017

| | Mean | Median |
|------------|-------|--------|
| Hourly Pay | 11.1% | 12.3% |
| Bonus | 20.6% | 14.7% |

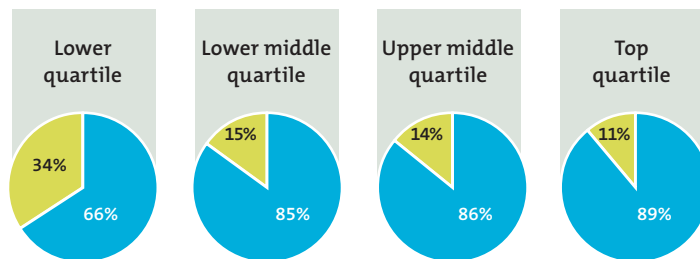
Proportion of employees receiving a bonus

in 12 months preceding 5 April 2017



Pay quartiles across the legal entity's employees

at 5 April 2017



Rolls-Royce Marine Power Operations Ltd

Rolls-Royce Marine Power Operations Ltd has 772 employees, of which 10.1% are women.

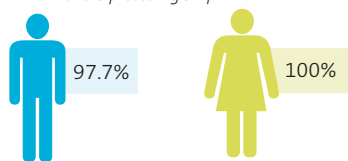
Pay and bonus difference between women and men

at 5 April 2017

| | Mean | Median |
|------------|-------|--------|
| Hourly Pay | 8.0% | 8.2% |
| Bonus | 19.7% | 13.6% |

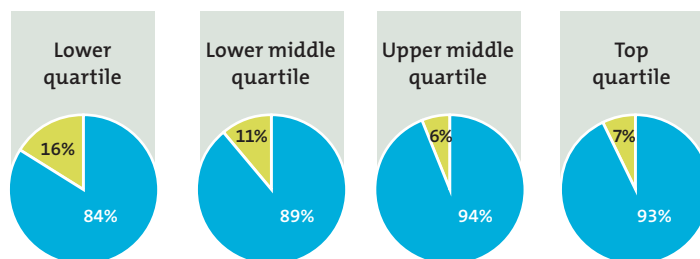
Proportion of employees receiving a bonus

in 12 months preceding 5 April 2017



Pay quartiles across the legal entity's employees

at 5 April 2017



We confirm the data reported is accurate

Warren East

For Rolls-Royce Plc
Warren East
CEO

Rick Curtis

For Rolls-Royce Power Engineering Plc
Rick Curtis
CFO – Nuclear

Steven Dearden

For Rolls-Royce Marine Power Operations Ltd
Steven Dearden
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