

UK Gender Pay Report 2018

Rolls-Royce Holdings plc



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.

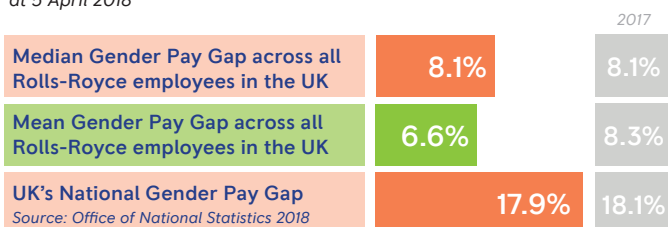
Our 2018 figures are very similar to 2017, as we expected, since it will take several years to achieve our aim of increasing the proportion of women employed in our more senior, higher paid levels.

We continue to have many initiatives underway to make this change happen and we can see signs of improvement. The section at the bottom of this page outlines what new plans are in place since our first Gender Pay Report in 2017.

This page shows the gender pay data for Rolls-Royce in the UK as a whole. Page 2, as required by the UK legislation shows the data for our three legal entities that employ more than 250 people.

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

at 5 April 2018



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 17.9%. 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 higher grade, 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.

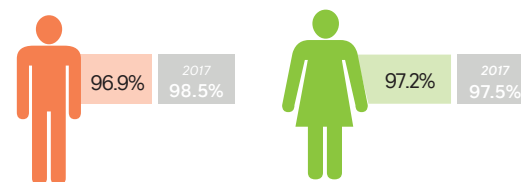
Bonus difference between women and men

in 12 months preceding 5 April 2018.

Bonus	Mean	Median
2018	9.5%	10.1%
2017	9.5%	8.9%

Proportion of all UK employees receiving a bonus

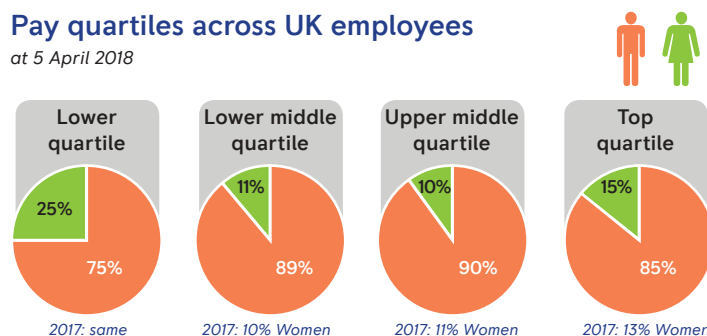
in 12 months preceding 5 April 2018



Rolls-Royce in the UK has bonus programmes for all levels of employees which accounts for our high percentages of inclusion for both men and women. The small inclusion changes on 2017 are due to the timing of new employees joining the business.

Pay quartiles across UK employees

at 5 April 2018



The charts above show the gender distribution across Rolls-Royce in the UK in four equally sized hourly pay quartiles, each containing approximately 5870 employees. For example, within the lower quartile 75% of employees are men and 25% women.

Overall, women currently represent 15% of our UK employees. Women are less well represented than this figure in the middle two quartiles due to proportionately more men being in middle / 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%. The section below describes more of our actions to make a difference.

Increasing our focus on diversity and inclusion

At April 2018, our total female workforce in the UK stood at 15%, the same as 2017. Though we have increased the percentage of women in the top quartile of pay, we continue to have proportionately more females than males employed in less well paid roles. Diversity remains a challenge for our business and the engineering sector as a whole, but we are committed to improving both these issues. In 2017 we launched a new diversity and inclusion strategy with targets to increase female participation at all levels in our organisation by 2020. Our targets, as detailed in our Annual Report, are;

- 17% females in our organisation
- 30% females in our graduate population
- 30% females in our High Potential population

Our Global D&I Council, chaired by our Chief People Officer is leading the delivery of this strategy with a focus on stronger leadership and a systemic approach to reviewing how we attract, develop and retain diversity in our business. Clearer accountability is being achieved with targets developed for each of our three empowered businesses along with their own diversity councils.

Encouraging young women to see science, technology, engineering and mathematics (STEM) as a future career is something we are passionate about. We continue to focus on this challenge, working closely with schools, universities and youth organisations. We're already nearly three-quarters of the way in achieving our aim of reaching 6 million people by 2020 with our STEM activities and over 1,200 of our people act as ambassadors to help us.

We support Girlguiding with their new Innovate Skills Builder programme giving us the potential to reach 400,000 young females across the UK on 'Experiment with Science' and 'Be an Engineer'. We also continue to encourage young women through sponsorship of awards such as Target Jobs Female Undergraduate of the Year and WISE Women in Industry Award to celebrate success and showcase role models.

Attracting more women onto our Graduate and Apprentice programmes is important for our talent pipeline. In our 2018 intake the proportion of female graduates increased to 29% and our Apprentice rates to 19%. To support the number of women in management we have 50:50 shortlists in some areas and have changed other aspects of our hiring practices to be more inclusive, including all female assessment centres.

Developing and retaining our female employees is supported by programmes such as the Financial Times 125 Women's Forum and our UK Gender Diversity Network hosts development discussions through their Insight Hour series. We recently signed up to the Women in Aviation Aerospace Charter and aim for gender balance on our development programmes including our Board Experience Program which has 50% female participation.

Improvements to our diversity at Senior Management level have been made and we're seeing greater diversity in our high potential and succession pipelines. We continue to build on existing programmes as well as finding new opportunities to embed diversity and inclusion into our culture. We remain determined to increase our diversity and to create a company where every person can be themselves and be at their best.

UK Gender Pay Report 2018

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 2017 UK Gender Report

Rolls-Royce plc

Rolls-Royce plc has 20134 employees, of which 15% are women.

Pay and bonus difference between women and men

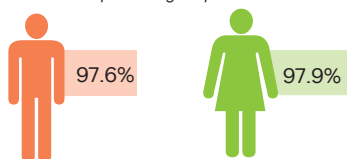
at 5 April 2018

	Mean	Median
Hourly Pay	4.9%	7.1%
Bonus	5.8%	8.3%

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.

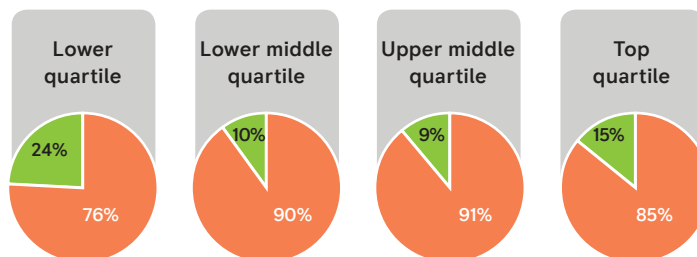
Proportion of employees receiving a bonus

in 12 months preceding 5 April 2018



Pay quartiles across the legal entity's employees

at 5 April 2018



Rolls-Royce Power Engineering plc

Rolls-Royce Power Engineering plc has 1896 employees, of which 18% are women.

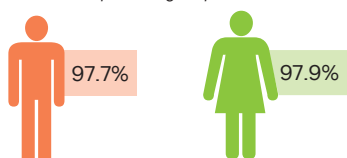
Pay and bonus difference between women and men

at 5 April 2018

	Mean	Median
Hourly Pay	10.6%	9.8%
Bonus	22.6%	17.5%

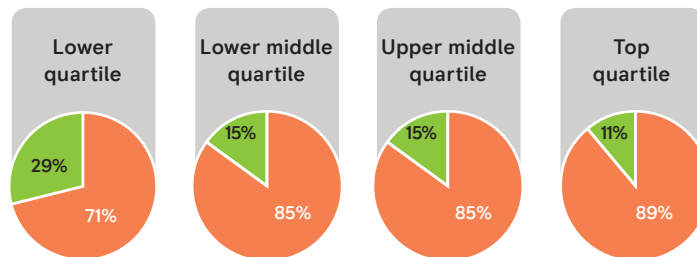
Proportion of employees receiving a bonus

in 12 months preceding 5 April 2018



Pay quartiles across the legal entity's employees

at 5 April 2018



Rolls-Royce Marine Power Operations Ltd

Rolls-Royce Marine Power Operations has 793 employees, of which 11% are women.

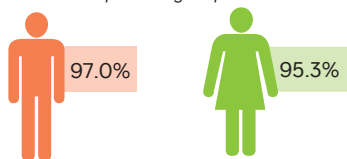
Pay and bonus difference between women and men

at 5 April 2018

	Mean	Median
Hourly Pay	8.5%	11.9%
Bonus	19.0%	13.0%

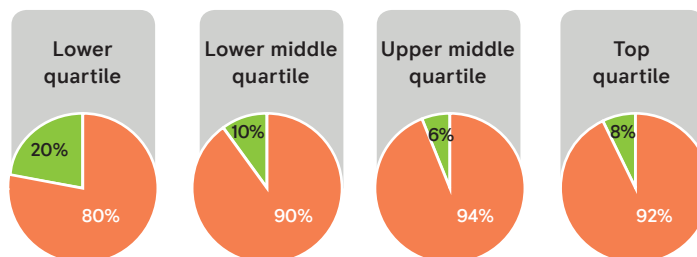
Proportion of employees receiving a bonus

in 12 months preceding 5 April 2018



Pay quartiles across the legal entity's employees

at 5 April 2018



We confirm the data reported is accurate

Warren East

For Rolls-Royce Holdings plc
Warren East
CEO

Rick Curtis

For Rolls-Royce Power Engineering plc
Rick Curtis
Chief Financial Officer - Marine

Steven Dearden

For Rolls-Royce Marine Power Operations Ltd
Steven Dearden
President, Submarine - Nuclear