



Rolls-Royce

Health, safety and environment policy and management arrangements

An overview of how Rolls-Royce Group plc delivers its policy commitments on health, safety and environment



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Introduction



Whilst our approach to health, safety and the environment (HS&E) is first and foremost shaped by the desire to avoid harm to people and the environment, we also recognise that good HS&E performance is synonymous with good business performance. We also believe that all cases of work related ill health, injuries and environmental incidents are avoidable. Moreover, environmental issues, in particular climate change, have become much more prominent and demand even greater attention. This document describes the management arrangements and responsibilities for delivering our commitments, aims and beliefs on HS&E, including Occupational Health, which are set out in the Company HS&E policy statement. HS&E is a line management responsibility and it is essential that the contents of this publication are understood and followed by directors and managers at all levels. In addition, all employees need to be made aware of and discharge their individual responsibilities.

The Company HS&E policy, management system and accompanying international standards apply to all businesses throughout the world where Rolls-Royce is a majority shareholder. Compliance with the HS&E policy, system and standards is mandatory and subject to periodic audit.

In Joint Ventures (JVs), where the Rolls-Royce share holding is 50 per cent or less, Company staff appointed as Directors are required to encourage the business to work to Company HS&E standards and to implement an appropriate HS&E management system. As a minimum, the JV is expected to comply with relevant legislation and have access to competent HS&E advice.

We also expect our suppliers to make proper provision for the health, safety and welfare of its people, visitors, customers and those in the community who may be affected by their activities. This also includes the avoidance or minimisation of any negative environmental impact.

Copies of this document can be made available to relevant authorities, customers, suppliers, contractors, joint venture partners and other stakeholders as a means of demonstrating our commitment to HS&E and our ability to manage HS&E risks effectively.

By effectively implementing the policy and management arrangements we can collectively move towards our vision of being known for the excellence of our health, safety & environmental performance.

Sir John Rose
Chief Executive

HS&E policy statement

Rolls-Royce plc aims to achieve world-class health, safety and environmental (HS&E) performance levels in all its business activities.

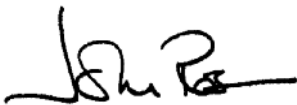
The Company believes that all HS&E incidents are avoidable and strives to protect peoples' health, have zero injuries and environmental incidents and avoid or minimise any environmental impact of its activities, products and services. Continual improvement will be achieved by the implementation of a risk based HS&E management system.

The Company will meet relevant legal, industry and other requirements and seek to implement industry best practice.

Business Leaders are responsible for enacting this policy and giving HS&E, including Occupational Health, equal priority with all other business issues. Implementation will be through line management who will involve employees in the achievement of the Company's objectives. They will be advised by an adequate number of competent occupational health, safety and environmental professionals. All employees are expected to accept their responsibility to work safely, adhering to safety rules and work procedures, using safety equipment provided, and generally to contribute to the maintenance of a safe and healthy workplace. They also have a duty to be environmentally responsible and to have regard for environmental controls.

The Company is committed to effective communication and consultation on HS&E matters with all employees and other relevant parties and will report internally and publicly on its HS&E performance on a regular basis. It will provide appropriate health, safety and environment training to employees to enable them to meet the required standards of performance.

Whilst we are each responsible for health, safety and the environment, we do much better when we work as a team. Promoting the welfare of both our people and the community and protecting the environment matters to us all.



Sir John Rose
Chief Executive

Date: November 2008

Vision, aim, objectives and targets

We believe that all cases of work related ill health, injury and environmental incidents are avoidable.

Vision

Rolls-Royce shall be known for the excellence of its health, safety and environment performance.

Aim

To achieve world-class performance on every Rolls-Royce site.

Objectives

The Company has the following high level objectives:

- **protect health**
- **prevent injury**
- **reduce environmental impact**
- **protect and enhance the company reputation**
- **gain competitive advantage**

Targets

Company HS&E targets are agreed by the HS&E Committee, issued to the businesses and delivered through the implementation of improvement programmes. They are designed to achieve continual improvement and are reviewed annually. Businesses can set more stringent targets, if considered relevant to their operations. Businesses, where appropriate, are expected to set additional targets that are relevant to their specific activities and locations based upon the results of HS&E risk and impact assessments. In all cases, targets need to take account of any legal requirements within the specific country of operation.

Performance relative to the objectives and targets is reviewed at least quarterly by each business and bi-annually by the HS&E Committee. An internal HS&E performance report is produced annually and presented to the Main Board. The report is also issued to all businesses for general information and benchmarking. An external report on HS&E performance is produced on an annual basis and made available to the public via our website www.rolls-royce.com.

Strategy

The Company strategy for HS&E is based on six core elements:

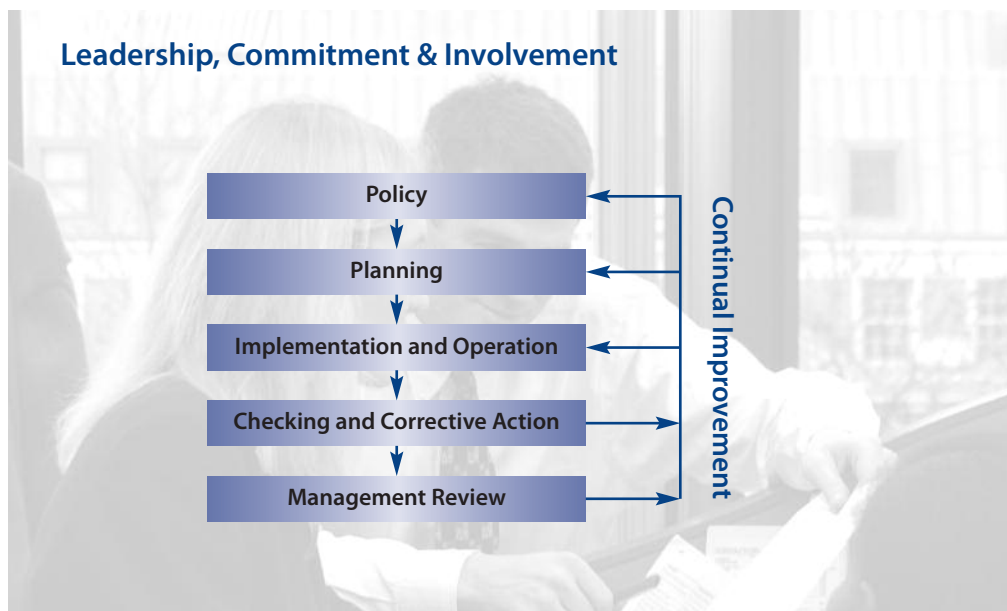
- **visible leadership, commitment and involvement**
- **full implementation of the HS&E management system and related standards**
- **identify, standardise, communicate and implement best practice**
- **reduce HS&E risks through effective design and purchasing processes relating to facilities, plant, manufacturing processes and product materials**
- **facilitate effective HS&E management in JVs and Suppliers**
- **monitor and influence external developments**

The HS&E Management System

The Management System Model

The required HS&E performance is achieved through the Company's Health, Safety and Environmental Management System (HS&E-MS) and related International Standards and Guidelines. The HS&E-MS brings together the elements of the international environmental management systems standard, ISO 14001, and the Occupational Health and Safety Management Systems, OHSAS 18001. It is Company policy that all businesses gain independent (third party) certification to ISO 14001 and OHSAS 18001.

The Company HS&E Management System allows a common approach to be adopted across all businesses. The key elements are outlined below and are supported by the fundamental requirement for 'Leadership, Commitment and Involvement'.



Summary of the key HS&E Management System elements

HS&E Management System Element	Addressing
Leadership, commitment and involvement	Top down visible leadership and commitment, critical to the success of the system, but with the involvement of everyone to create the desired culture.
Policy	Company intentions, aims and beliefs.
Planning	Planning for performance improvement. Developing plans to meet legal requirements and Company and Business objectives and targets. Risk / impact management. Defining standards and procedures.
Implementation and operation	The organisation of people, resources and systems for sound HS&E performance. The implementation of plans to comply with legal requirements and Company standards and to achieve objectives and targets. The development and maintenance of documented procedures. Effective communication including the use of visual management. Driving compliance and performance improvement through HS&E committees and management meetings.
Checking and corrective action	The monitoring and measurement of performance, including the implementation of the audit programme – taking corrective action as required.
Management review	The regular review of each element of the HS&E management system by the management team / HS&E Committee – making any changes necessary for its continued suitability and effectiveness. Opportunities for improvement should be identified and appropriate action taken.

Documentation structure

Company / Business management system supporting documentation is structured as set out below:

		Authority
Level 1	Rolls-Royce plc Policy statement	Chief Executive
	Company HS&E policy and management arrangements document	Company HS&E Committee
Level 2	HS&E strategy, standards and guidance	Director HS&E
	Occupational Health strategy	Chief Medical Officer
Level 3	Business HS&E management system	Business Sector / Business Unit Leaders
	Site level documentation	Site Business Leader

Integrating HS&E into the Rolls-Royce Quality Management System

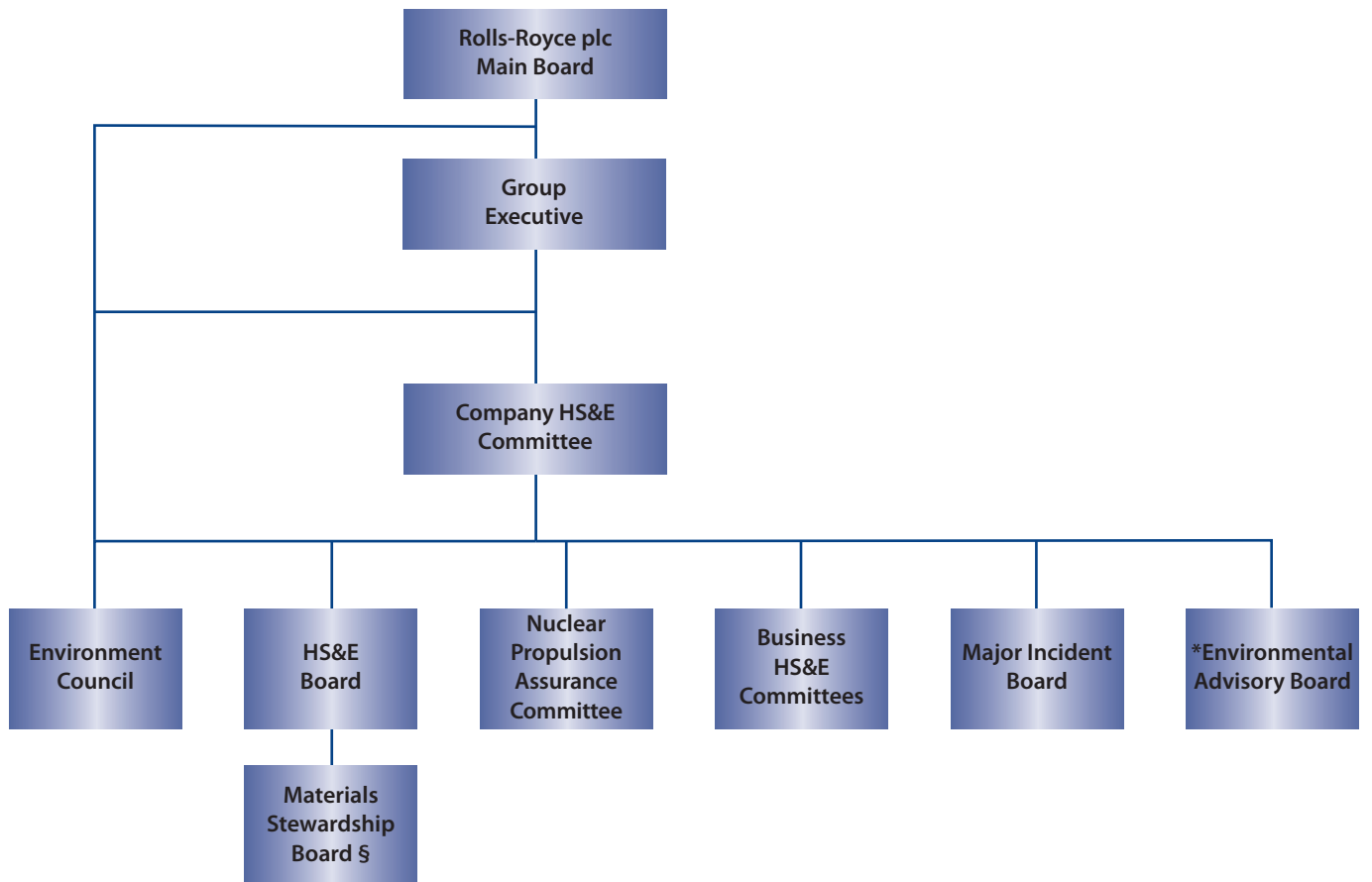
Rolls-Royce uses Business Processes to describe what we do as a Company delivering sophisticated products and services to our customers whilst taking due account of the needs of other stakeholders.

The Business Process Model employed provides a framework and navigation tool for the Rolls-Royce Quality Management System that is designed to satisfy all customer, regulatory and legal requirements and to continue our certification to the appropriate standards.

All HS&E related Company documentation is maintained and accessed via the Company web-based Quality Management System.

Committee structures

Control and co-ordination of HS&E matters is provided through a framework of meetings at Company, business and site level. The overall structure is described below and provides a robust governance structure to monitor and direct improvements in the HS&E performance of our businesses:



§ reporting to the HS&E Board for operational HS&E matters only. Other aspects are managed in the Engineering & Technology business management line.

* advice to the HS&E Committee is restricted to operational environmental aspects. Environmental and sustainability aspects relating to product impact are handled through the Director Engineering & Technology.

Company HS&E Committee

The Chief Executive chairs the Company Health, Safety and Environment Committee. This committee is responsible for setting policy and establishing the strategy, supporting initiatives, setting targets and reviewing performance. It also supports the Main Board in its corporate governance role. It meets twice a year.

Environmental Advisory Board

The role of this Board is to review and make recommendations on the environmental aspects of the Company's activities, including business, product and operational strategies. The Board and supporting project team members are drawn from academia and external organisations and are respected authorities in their field. It meets at least three times a year.

Environment Council

Chaired by the Director of Engineering & Technology, its role is to direct the implementation of Company environmental policy with a focus on products and to co-ordinate all related activities across the Group.

HS&E Board

The HS&E Board, chaired by the Director HS&E, comprises senior HS&E professionals from the businesses and functions together with the Chief Medical Officer¹. The role of the HS&E Board is to identify and assess salient HS&E (including OH) issues that need to be addressed; share best practice; review performance and the implementation of initiatives and reinforce the HS&E functional leadership and communication across all businesses. It meets three times a year.

Nuclear Propulsion Assurance Committee

The Nuclear Propulsion Assurance Committee is chaired by the Director of Engineering and Technology. This committee is responsible for policy direction and performance review on HS&E issues with a nuclear / radiological implication relating to the operational activities of the Marine business. It meets twice a year.

Business HS&E Committees

The arrangements within each business sector are as follows:

Business Sector HS&E committees meet four times per year and are chaired by the Sector President.

Business Unit / Functional HS&E committees are chaired by the Business Unit Presidents / Functional leaders and meet four times per year.

Site HS&E Committee meetings meet monthly and are chaired by the site leader.

Major Incident Board

The Major Incident Board is chaired by the Chief Operating Officer. The Board examines root causes of significant HS&E incidents in our operations and agrees improvement measures to minimise the risk of reoccurrence. Lessons learnt are shared with all other Rolls-Royce businesses and Joint Venture operations. It meets on an as-needed basis.

Materials Stewardship Board

The Materials Stewardship Board is chaired by the Director of Materials. It facilitates the effective management of materials across the whole life cycle of a material and product, from cradle to grave. This includes the phasing out or elimination of substances of very high concern and the optimum use of materials, including resource efficiency and recycling. It meets three times a year.

¹ Employment related Occupational Health policy will be governed via the Global Employment Framework.

Responsibilities

Company level

Ultimate responsibility for HS&E resides with the Chief Executive and the Main Board. The authorisation of the Company HS&E Policy Statement is the responsibility of the Chief Executive.

Responsibility for Company HS&E policy development and assurance is delegated to the Company HS&E Committee, which is chaired by the Chief Executive.

Business level

The Company HS&E Policy applies to all businesses where Rolls-Royce is the majority shareholder. HS&E is a line-management responsibility. Line-managers at all levels, however, need to be supported by competent HS&E advisers located within their business. Specific HS&E responsibilities are described in the following sections.

Sector Presidents / Directors of Functions / Managing Directors

These senior executives are accountable to the Chief Executive for the effective implementation of the Company HS&E Policy and HS&E Management System (HS&E-MS) and related standards within their business.

They are required to:

- demonstrate visible leadership and commitment to HS&E including setting a personal example, chairing the business HS&E Committee and communicating the importance of HS&E considerations in business decisions
- make arrangements to implement the Company HS&E Policy and management system and any pertinent actions agreed at the Company HS&E Committee
- authorise and issue the business HS&E Policy and any related documentation taking due account of the Company HS&E and OH strategies
- set business HS&E targets in line with Company objectives and targets and the needs of the individual business
- monitor HS&E performance and review the effectiveness of all aspects of the HS&E-MS on a regular basis.

Vice Presidents / Directors / Managers

All managers are responsible for implementing the Company's HS&E Policy, management system and related standards. In their area of management accountability they are required to:

- demonstrate visible leadership and commitment to HS&E
- develop work plans (in line with the Company HS&E strategy) to undertake risk assessments, meet relevant standards and legal requirements and Company objectives / targets
- provide resources and define roles and responsibilities to implement the HS&E management system, including: the provision of training and effective communication, establishing operational controls, robust contractor management and emergency response arrangements
- implement checking and corrective action measures, including: performance monitoring, incident reporting and investigation and audit.

Management must have ready access to competent HS&E advisers and Occupational Health professionals.

Visible Leadership and Commitment

The visible leadership and commitment of management is needed to develop the desired behaviours. Managers at all levels shall:

- set a personal example in everything they do
- reacts positively to their work being stopped by others for health, safety or environmental reasons
- make decisions that are consistent with the Company HS&E Policy and considers HS&E in all business planning
- implements an effective HS&E Management System
- allocate and develop the necessary competent resources, including time and money
- communicate the importance of HS&E considerations in business decisions
- regularly discuss occupational health, safety and environmental issues with their teams
- encourage employees to suggest HS&E improvement measures and follow these up
- follows policy and procedures and wears the relevant personal protective equipment (PPE)
- participate in site visits / inspections
- engage in two-way communication and listen to and protect individuals who raise concerns
- challenge unsafe acts and conditions and engage with those involved to agree the necessary improvement actions
- recognise and reward positive behaviours and the achievement of objectives
- take appropriate disciplinary action for blatant or repeated breaches of standards, procedures and rules

- makes changes when given corrective feedback and solicits feedback from others on own performance
- support promotional campaigns and educational initiatives
- behave in a way that minimises stress for themselves and others
- manage absence – rather than simply recording it
- support medical surveillance and screening (including measures for overseas travel).

All employees

All persons employed by the Company have a duty to themselves and others who may be affected to work in a healthy, safe and environmentally responsible manner.

All employees are required to:

- follow the established work procedures and control measures (including the use of PPE where issued) and any applicable HS&E rules
- report HS&E incidents including near misses and unsafe acts / conditions immediately
- suggest areas for improvement to their manager
- support improvement measures
- co-operate in health screening and surveillance procedures as required
- support their fellow employees, contractors and visitors to achieve a healthy and safe workplace and to care for the environment.

Corporate HS&E Advisers

The Director HS&E is charged with the responsibility for maintaining a team of professional advisers in the fields of occupational hygiene, radiation protection, safety and the environment.

Collectively the above specialists:

- develop and facilitate the implementation of the HS&E strategy to achieve the Company's vision, objectives and targets
- develop and facilitate the implementation of HS&E policy, management and supporting standards
- provide selected training, support and advice at all levels in the Company
- undertake HS&E audits
- monitor and help influence external developments and perceptions
- undertake strategic studies and provide specialist services
- produce internal and external reports on HS&E.

HS&E Advisers

All businesses are responsible for the appointment of an adequate number of competent HS&E professionals.

They are required to:

- promote awareness of the Company HS&E vision, objectives, targets and underpinning strategy
- provide guidance on the implementation of the Company's HS&E Policy, management system and supporting standards
- facilitate effective HS&E risk management
- understand the characteristics of and be able to identify HS&E hazards in the workplace and support the risk management process
- provide guidance on how to meet the requirements of pertinent legislation
- facilitate the establishment of meaningful programmes to meet Company targets and to comply with legislation and Company standards
- design and deliver HS&E training courses
- plan and undertake HS&E inspections and audits
- advise on and support incident investigations
- provide informed advice on relevant HS&E technical issues
- support management in developing effective working relationships with the relevant authorities
- monitor and influence external developments ²
- support Corporate HS&E ³ in HS&E due-diligence activities during any mergers and acquisitions
- provide reports on HS&E performance to management and Corporate HS&E and support HS&E meetings.

Occupational Health Provider

Businesses shall source a competent service provider to meet the requirements of the location following advice from the Chief Medical Officer (CMO). The service provider will:

- deliver a professional service, in accordance with Company policies and procedures, operating to national professional requirements and legislation
- perform screening and surveillance medicals and report specified data periodically to the relevant businesses
- perform periodic medical reviews of those with disabilities or suspected work-related ill-health and advise on rehabilitation back to work
- deliver corporate health promotion initiatives and support the delivery of educational initiatives.

² In the UK / EU influencing external developments is largely undertaken by Corporate HS&E and Occupational Health.

³ Normally undertaken by Corporate HS&E and Occupational Health.

Joint Ventures

In Joint Ventures (JVs), where Rolls-Royce has a shareholding of 50 per cent or less and does not control the Board, Company staff appointed as Directors are required to encourage the JV business to work to Rolls-Royce Group HS&E policy and standards and to implement an appropriate HS&E management system.

The JV is expected to comply with applicable legislation and have access to competent HS&E advice. Directors appointed by the Company to the Board of JVs need to understand the scope of pertinent HS&E legislation within the country of operation and how this applies both to the business operations and to their responsibilities. Directors are also required to satisfy themselves that the JV has adequate systems and procedures in place to enable it to comply with its obligations (including legal requirements).

Serious incidents within the Rolls-Royce Group are subject to review by the Major Incident Board. Following this review process an HS&E Alert is generally issued to focal points within each business so that lessons learnt can be adopted (where applicable). It is a responsibility of a Rolls-Royce JV Director to understand the implications to his JV business of any Alerts issued and to communicate these to the JV Board for discussion and action as appropriate.

Suppliers

Rolls-Royce expects its suppliers to make proper provision for the health, safety and welfare of its people, visitors, customers and those in the community who may be affected by their activities. Suppliers are encouraged to implement a health and safety management system such as the Occupational Health and Safety Assessment Series specification, OHSAS 18001.

Rolls-Royce suppliers shall care for the environment through a commitment to good environmental practices. They are expected to implement an appropriate environmental management system comparable with the requirements of international environmental management systems standard ISO 14001 and are encouraged to gain third party certification.

Health, Safety and Environmental risks shall be assessed and appropriate controls put in place.

Further information is supplied in the Rolls-Royce Business Requirements documents located in SABRe (available at www.suppliermanager-online.com).

If you would like more information please contact us at:

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