



Rolls-Royce

Rolls-Royce in the Community

Powering a better world



At Rolls-Royce, we have been active in a whole range of community areas since we started in business 100 years ago. From a tradition of philanthropy, we have gradually honed our activity to benefit both the community and fit our own needs and aspirations. Today, we focus on Education, the Arts and Culture, Environment and Regeneration – areas that mean something to our business and where we can make a positive impact.

We work with partners; experts with a deep understanding of the issues. We encourage innovation and enterprise in our programmes and we involve our employees as part of their personal and professional development.

We are on a journey and this first report guides you through our approach to community investment. We will bring you details of our progress, through our website, and in later reports.

- 1** Making a commitment to our communities
- 2** About us
- 4** The journey...
- 6** How we work
- 8** Education
- 14** Arts and culture
- 18** The Environment
- 22** Regeneration
- 27** External verification
- 28** Give us your views
Partners' contact details
- 29** The Jubilee project

Front cover:

This creative interpretation of our aero engines was produced by children at Dale Community Primary School in Derby, England, as part of an innovative project to commemorate Her Majesty The Queen's Jubilee. For more details, please turn to page 29.

Making a commitment to our communities

'Sustained investment in communities makes a positive difference and delivers tangible benefits to our business'

This is our first community investment report, demonstrating our firm and long-standing commitment to the communities in which our employees live and work around the world. It is a significant first step in our future community reporting.

Companies and communities should co-exist to mutual benefit. Our duty of care to our neighbours is linked to our operational business objectives and is an integral part of our approach to corporate responsibility.

As a global business and a major employer in the UK, Germany, the Nordic Countries and North America, the most significant contribution we can make to our communities is to generate sustained economic wealth. We achieve this through the sales of our products and services.

Last year our global wage bill was £1.5 billion. This, combined with around £600 million we invested in research and technology and £200 million on capital expenditure, generated a significant impact on our economies. Inevitably, such expenditure creates a positive knock-on effect in our communities.

Sustained investment in communities makes a positive difference and delivers tangible benefits to our business. Our community programmes help us to attract new talent, engage with our stakeholders and generate prosperity. Our business also benefits from the wide range of skills and experience which our people gain from taking part in these activities.

For a century, the Rolls-Royce name has been synonymous with engineering excellence and we strive to bring this excellence to our community programmes. We all have a stake in the health and vitality of our communities and this report demonstrates how we are making a genuine and lasting impact. I welcome your comments and suggestions as we continue to develop our activities in this area.

Sir John Rose
Chief Executive
April 2004



About us

Rolls-Royce operates in four global markets and invests in technology that can be exploited in each of these sectors to create a competitive range of products and services.

Civil aerospace

2003 turnover: £2,694 million

A major player in the global civil aero market with more than 10,000 large Rolls-Royce jet engines in service. We power 30 civil aircraft types from small executive jets through to large passenger aircraft.



Defence

2003 turnover: £1,398 million

The world's second largest defence aero engine manufacturer providing around 25 per cent of the world's military engines. Our portfolio covers all major sectors including transport, helicopters, combat, trainers and tactical aircraft.



Marine

2003 turnover: £927 million

A global leader in marine propulsion, operating in cruise, fast vessel, naval and offshore markets. We support 2000 commercial marine customers and over 50 navies use our propulsion systems and marine equipment.



Energy

2003 turnover: £584 million

A world leader in the onshore and offshore oil and gas industry and a growing force in the global electrical power market. We have customers in around 120 countries.

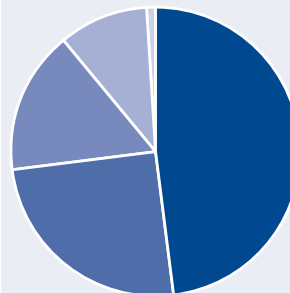


Customer care

Our gas turbine engines have operational lives of 25 years or more. We offer a comprehensive range of aftermarket services to customers, including predictive maintenance, and web-based fleet management services.

Group turnover

2003: £5,645 million



Turnover % per business

- 48% Civil
- 25% Defence
- 16% Marine
- 10% Energy
- 1% Financial Services

Worldwide locations



With offices, services centres or manufacturing bases in 48 countries, Rolls-Royce is a truly global company.

Levels of support:

In 2003 we:

- Awarded £1.1 million in charitable donations
- Invested more than £560,000 in education and other community programmes
- Supplied thousands of hours of employee involvement
- Provided in-kind support throughout our business



The Queen's Award for Enterprise

– Rolls-Royce won the Queen's Award for Enterprise in 2003, marking our twentieth Queen's Award since its inception in 1966.

Everyone at Rolls-Royce has a role to play in determining future success. We strive to operate with integrity, reliability and innovation – the three core values that drive our business forward.



BUSINESS in the ENVIRONMENT

Business in the Environment

– We were placed first in our business sector in the 2003 Business in the Environment Index.

Concern for the environment and community is highlighted as one of the company's beliefs and, as the many examples in this report testify, is firmly embedded in our culture.



Dow Jones Sustainability Indices

– We are recognised by Dow Jones as a sector leader in sustainability through our membership of both its World and European STOXX indices – 2004.

As a global company providing power for land, sea and air, we are technology leaders, operating in civil aerospace, defence, marine and energy markets. Our customers include more than 500 airlines, 4,000 corporate, utility and helicopter operators and 160 armed forces. Our marine business supports 2,000 customers, including over 60 navies. We also have energy customers in around 120 countries.

We employ around 35,000 people worldwide operating from 48 countries. Of these, more than 21,000 are in the UK, 5,000 in the rest of Europe and 8,000 in North America.

Our strategic intent is to offer customers business solutions from superior power systems and services. To help us achieve this goal, every Rolls-Royce employee is trusted to deliver excellence by our customers, investors, partners and suppliers.



Business in the Community

– In 2003, Rolls-Royce was ranked 10th out of 139 companies in Business in the Community's second corporate responsibility index.

We employ around 35,000 people worldwide operating from 48 countries. Of these, more than 21,000 are in the UK, 5,000 in the rest of Europe and 8,000 in North America.

Our strategic intent is to offer customers business solutions from superior power systems and services. To help us achieve this goal, every Rolls-Royce employee is trusted to deliver excellence by our customers, investors, partners and suppliers.



INVESTORS IN PEOPLE

Investor in People

– We achieved recognition as a corporate Investor in People in 2002.



Giving List

– In 2003, Rolls-Royce was ranked 30th in the UK Guardian newspaper's 'Giving List'. This annual survey measures the percentage of pre-tax profits companies give to charitable organisations.

The journey...



Our long and successful history of community activity has taken us on a journey of exploration and discovery. As we increase our involvement, we learn more about the people and places where we work and about ourselves. In this report we travel around the world to demonstrate the variety of work we undertake, with real-life case studies and examples of projects.

Past

The journey began in 1904 when the Hon. Charles Rolls and Henry Royce, the founding fathers of the famous brand, forged a company which soon became famous for its quality workmanship and engineering excellence. The company ethos was firmly rooted in responsible business behaviour, recognising and rewarding dedicated and loyal service by employees, and forming links with the community in the firm belief that it was the company's duty to give something back.

As Rolls-Royce grew, both organically and through acquisition, the company's largely philanthropic contributions to the community were extended both locally and through corporate initiatives.

Present

We are now continuing that 'voyage of discovery', exploring a varied and lively programme of community activities around the world. There are four main themes to our community programme – education, arts and culture, environment, and regeneration. Working with external brokers, we build long-term partnerships with clear objectives to benefit both the community and our business. This allows our employees to get involved in individual or group activities which are becoming an integral part of our people development programmes.

In 2003, we reported publicly on our community involvement for the second year running in the UK's Business in the Community's (BitC) Corporate Responsibility Index. We achieved 10th place with a score of 94.89 per cent, representing a significant improvement on our position the previous year. Our community impact is also reviewed by the Dow Jones Sustainability Indices and, for the second year running, we are a sector leader in both the Dow Jones-World and European STOXX indices.

We are a member of the London Benchmarking Group, a consortium of more than 70 companies working together to assess and measure community programmes, and we have used their model to help us evaluate the impact of our major projects. Business in the Community has also provided its assessment of our activities. Their assurance statements are on page 27.

We have established a programme of dialogue with our community partners and their comments can be found throughout this report.

Future

As our partnerships evolve, we will review and evaluate the success of our projects adapting them, where appropriate, to more locations around the world. An example of this in action is our payroll-giving scheme, which has achieved substantial success both in North America and in the UK.

We will extend our reporting of international community programmes and move toward a global representation of the projects we support. We will also evaluate more of our programmes.

We are beginning to embed our community activity within formal business improvement processes. For example, across our businesses we are implementing the European Foundation for Quality Management's business excellence model, which includes indicators to establish the impact business has on society through its community programmes. Our continuing work in this area will help us to gain a clear understanding and develop the sustainability of these projects by demonstrating the advantages of business and community working in partnership.

How we work

With our partners we can make positive impacts in our communities and achieve tangible benefits for our business.

As a global manufacturing Group operating in highly competitive market sectors we face challenging issues, and we try, wherever possible, to link our community involvement into those areas that concern our business most.

The Community Team

Corporate community investment programmes are managed by our corporate community relations team. Reporting to the Group's Director of Human Resources, the group works closely with community partners and with colleagues around the world to promote community activities globally and share best practice.

Partnership approach

Helping us on our journey are the experts, charities and community partners who have a deep understanding of the needs of the groups and individuals they support. By listening carefully and working closely together we can devise a programme of activities that address real issues.

Our starting point is to balance the needs of the initiative with our own business objectives. Over time, we deepen and broaden our relationships with our partners, creating the ultimate 'win-win', which makes a positive and lasting impact in our communities and helps our business to prosper. Many of our projects start small and grow into multifaceted relationships.

Adding value

Due to the holistic nature of many of our community projects it is now common for a partnership initially involving education, for example, to grow and embrace other areas that we support. We encourage this wherever possible to broaden the reach of our activities and maximise the benefit of the investment we have made.

We also try to generate even more impact from our own involvement in community projects, often by involving additional partners, and leveraging their specific skills and expertise to propel initiatives further forward.

We give our support in a number of ways:

- Donations
- Employee involvement
- Sponsorship
- Gifts in kind

Charitable donations

A major part of our community support is through charitable donations. In 2003 we donated more than £1.1 million to hundreds of community-based groups around the world. We have a Group community investment committee (Group CIC), chaired by a non-executive director, which is responsible for setting the Group's global policy on charitable donations. The Group policy on donations is to direct its support primarily to causes with educational, engineering or scientific objectives, as well as social objectives connected with the Company's business and place in the wider community.

The Group CIC is supported by a series of national committees which deal with in-country appeals within the policy established by the Group committee. In addition, site-based committees at our major facilities handle local appeals.

If you would like more information, please turn to page 28.

Employee involvement

Our employees play a vital role and are given every encouragement to get involved in their community and make a difference. External partners help find them a broad range of opportunities. These range from individual or team-based projects as part of formal career development programmes through to people gaining personal skills and experience through their participation in activities such as mentoring young business people.

Sponsorship

Sponsorship is given to projects which further our business interests, such as educational, industry or science, engineering and technology related events. Corporate sponsorship is administered by the Rolls-Royce Sponsorship Committee and business-related initiatives can be specific to a country, region or business area.

Gifts in kind

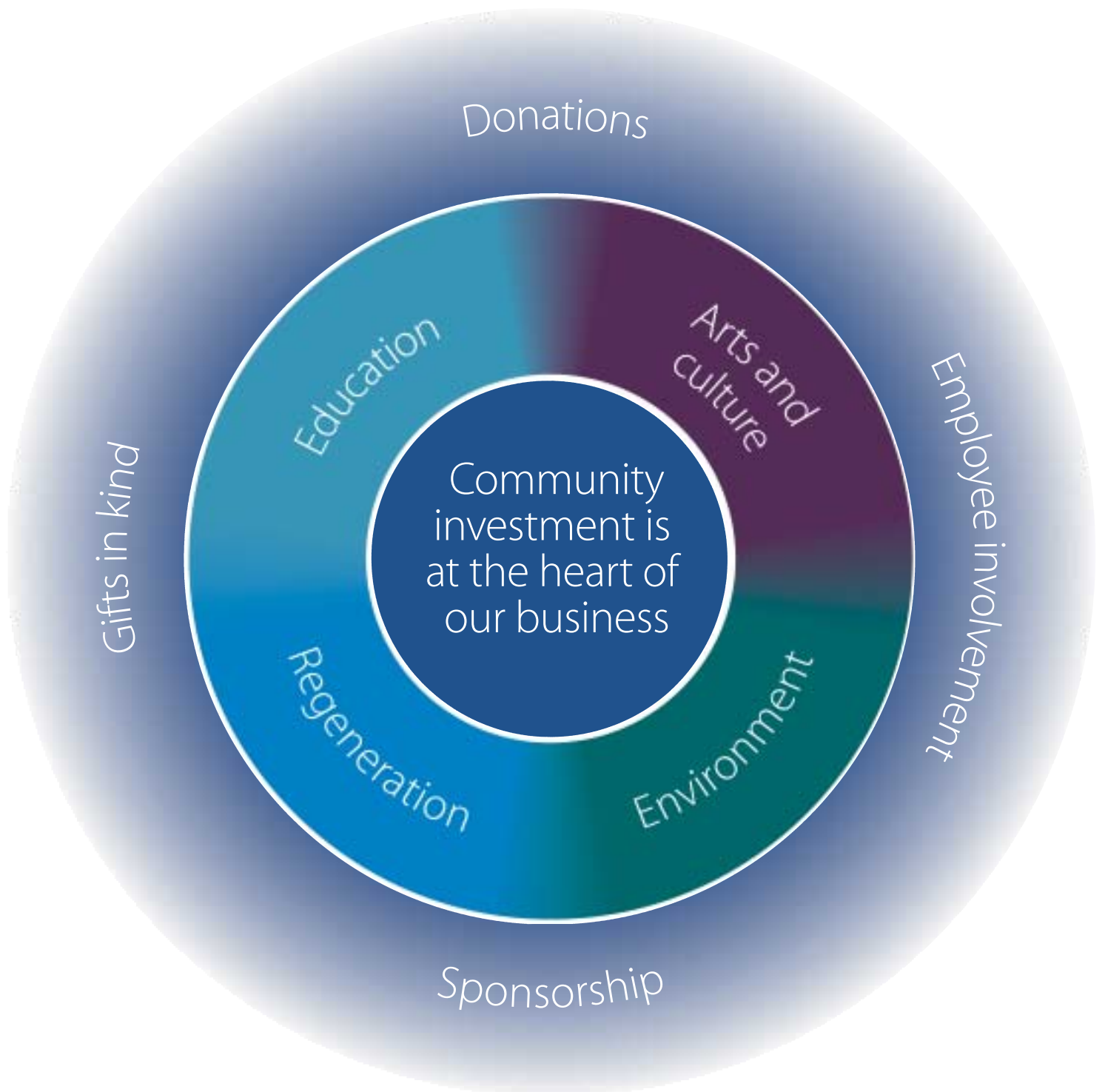
Our gifts in kind activity demonstrates that a little can go a long way. We support projects in ways which cost us very little but make a world of difference to the community.

Our community programmes focus in four key areas:

- Education
- Arts and culture
- Environment
- Regeneration

We give our support in a number of ways:

- Donations
- Employee involvement
- Sponsorship
- Gifts in kind



Education

It is, quite simply, 'enlightened self interest' to pursue activities which excite young people about our company. In our high-technology business environment, we particularly need to generate enthusiasm and interest in the subjects of science, engineering and technology. But we also need IT specialists, and experts in mathematics, languages, business and many more areas. We work closely with a number of education experts to help young people realise their potential.

- We work with the education sector to:
- Help raise standards in education
 - Promote engineering, science and technology
 - Develop our employees
 - Influence and support government policy and strategy
 - Support future resourcing needs

Supporting Embry-Riddle University

Rolls-Royce North America has embarked on a five year partnership with Embry-Riddle Aeronautical University, based in Florida and Arizona, USA. This multifaceted enterprise is designed to encourage and reward talent in aeronautical engineering. Promising undergraduates can apply for Rolls-Royce scholarships and internships in the company. We have also donated two aero engines to the university which are housed in the new Rolls-Royce Propulsion and Systems laboratory to help train students on the aeronautical sciences programme.

Work-related experience

We run a wide range of work-related visit programmes at our major sites, including work experience placements and children-to-work days in Europe and North America.



Schoolgirls in Germany find out about careers in engineering during Girls Day at Oberursel.

In the UK, Rolls-Royce hosts at least 400 work experience placements every year.

Engines in education



A Rolls-Royce RB211 aero engine is delivered to Barry College in Cardiff, Wales.



A Rolls-Royce K-Series marine engine is installed at Bergen Maritime College in Norway.

We have also donated engines to specialist colleges in Wales, UK and Bergen, Norway.

'The Rolls-Royce RB211 engine is an extremely valuable training aid for students on many of the courses we run.'

John Steele, aerospace engineering department, Barry College, Cardiff, Wales.



A student explores the cockpit of a Canberra military aircraft during an Open Industry visit.

Encouraging an interest in our industry

We are always on the lookout for new ways to encourage more young people into our industry.

In Germany, Rolls-Royce offers site tours and presentations about the company to teachers from regional schools and universities. Teaching staff use these opportunities to complement the theory learnt in the classroom with applied knowledge gained in the workplace.

A typical school visit also includes a section on careers guidance to help students make informed decisions about further education courses and qualifications they would need to consider a career in industry.

In the UK, we are a founding supporter of Open Industry, an educational scheme run by The Industrial Trust which allows 8 to 14 year olds to visit dynamic companies with a strong technology focus. Since its launch in 1999, Open Industry has organised more than 37,000 visits, linking them to the relevant stage in the pupils' curriculum.

We have arranged visits for thousands of students to our sites across the UK. Some are bespoke and designed to meet specific requirements from schools. Others are linked with the company's Schools for Engineering Programme (SEP), designed and run by trainees who develop their own skills by running an interactive workshop about our core gas turbine technology for 11 to 14-year-old school children.

'A spark has definitely been created. The pupils are still genuinely ecstatic about it and I am now bombarded daily with questions about aviation technologies.'

Steve Loveday, Design & Technology Teacher, Kimberworth School, Sheffield, England.

As Open Industry's lead supporter from industry, Rolls-Royce provides additional support, including a Trustee and Director of the Trust. Senior managers have also been seconded to Open Industry for a year to lead one of its regional teams and gain experience in a different environment.

'I've had the chance to rediscover and use all sorts of skills that I can now bring to my future career.'

John Newton, seconded to Open Industry as Regional Director during 2003.

'Rolls-Royce supports our work in getting the vitally important messages of industry across to young people in so many different ways. It is the kind of relationship we aspire to reach with all of our supporters, but – as in so many things – Rolls-Royce is leading the way.'

Stuart Bishell, Director, Open Industry.

Primary school children exploring the world of science with our employees.



Top
Students from Perry Meridian High School building robot 'Falcon Five'.

Bottom
The team of students with 'Falcon Five' at the FIRST Robotics Competition.

Pupils at Kersland Special School working towards their BAYS First Investigators Awards with support from our modern apprentices.

Bringing science, engineering and technology to life

Hundreds of our employees around the world are involved in events, projects and initiatives to bring science, engineering and technology to life for young people.

Science and Engineering Ambassadors

In the UK, we take part in a scheme run by SETNET, the government supported Science, Engineering Technology and Mathematics Network. One of its services, the Science and Engineering Ambassadors scheme (SEAs), trains and accredits adults helping young people to explore the career opportunities that science-based disciplines can offer them.

More than 100 employees are recognised Science and Engineering Ambassadors volunteering in local schools.

We aim to make this training available to all UK employees working with young people.

'The support and enthusiasm Rolls-Royce gives to the SEAs programme is helping to inspire young people with the excitement and challenge of engineering and exploring technical subjects and careers.'

Dr Ray Peacock, OBE,
Chief Executive, SETNET.

Science Alliance

Ten primary schools in the Derby area are receiving hands-on help from our engineers and scientists who assist their science classes by delivering practical work and investigations. The project, called Science Alliance, is a partnership with Derby North East Education Action Zone, and has so far involved 50 employees over five years.

The project has scored top marks with both employees and the schools: more than 90 per cent of our employees taking part say that they have benefited through increased job satisfaction and the growth of their personal and professional skills. An independent evaluation in the Science Alliance schools after five years showed a clear improvement in achievement in school tests.

Before the Science Alliance project began, the pupils had performed below the national average in assessments. By 2002, this had been reversed with pupils achieving well above the national average.

FIRST Robotics Competition

Engineers in Indianapolis have been working with Perry Meridian High School since 1999 in the For Inspiration and Recognition of Science and Technology (FIRST) Robotics Competition. The company is starting to see tangible benefits with nine past members of FIRST teams coming into Rolls-Royce on Co-op and Internship programmes.

'Seeing Rolls-Royce's work with the FIRST program combined with my involvement with the engineering team over the past four years has led me to seek a future with the company.'

Michael Long, Mechanical Engineering student in the Co-op programme.

BAYS awards

Modern Apprentices at our Hillington site in Scotland have been 'highly commended' by Scottish Business in the Community (BitC) in the 2003 Awards for Excellence. Twenty-one trainees have supported Kersland Special Needs School for the past three years to bring science lessons to life and help 30 pupils achieve 64 British Association for the Advancement of Young Science (BAYS) First Investigators Awards.



Rolls-Royce supports SciTec, a leading exhibition to promote science and technology to families and school children.

Broader support for schools

Many of our education activities in the community span a broad range of subject areas, levels of ability and age ranges.

Mentoring

More than 80 employees in Indianapolis have participated in a literacy mentoring programme in the Metropolitan School District of Wayne Township. The programme – Helping One Student to Succeed (HOSTS) – has helped 131 students to improve their reading ability by at least one level.



Children at Wayne Township's elementary schools are helped by Rolls-Royce literacy mentors on the HOSTS programme.

The opening of Reena Memorial Samrakshana School's Special Education Centre in Kochi, India.



Sponsorship in Kochi, India

Rolls-Royce India, in partnership with the Rotary Club of Cochin, helped Reena Memorial Samrakshana School in Kochi to open a new Special Education Centre. Opened in 2003, the new building replaces rented space in a number of buildings previously used to teach the 69 students with special needs and brings all their facilities under one roof.

'The participation of Rolls-Royce mentors has had a major impact on the success of the programme. Many second grade students are progressing in their literacy skills because of the assistance of their Rolls-Royce mentor.'

Nancy Waite, HOSTS Co-ordinator.



Rolls-Royce employees develop their own skills in the classroom and provide a valuable extra resource for schools.

Skills Bank

A Skills Bank for Schools project is being piloted in the East Midlands by Rolls-Royce and Business in the Community during 2003 and 2004. The project aims to find business skills and expertise to meet specific one-off requests from schools. As the business partner, we offer guidance and advice in areas such as general management, human resources, information technology and finance to schools, which, at the same time, gives our people a chance to extend their own customer relations skills.

Rolls-Royce Science Prize

In 2004 we are launching an exciting new awards programme across the British Isles to recognise innovation and excellence in science teaching. Through this initiative we will encourage teams of teaching staff to become Rolls-Royce Science Teams and develop and implement inspiring and sustainable science teaching plans which address a specific need in their school or college.

The initiative is open to teachers of pupils from primary to 16-plus age ranges and it is supported by a number of local education authorities, educational and academic organisations.

Prizes will be awarded for the best shortlisted strategies and the teams judged to have most effectively implemented their teaching plans. All of the strategies will be available, via a dedicated website, for teachers to share ideas and best practice. We are also adapting the initiative to meet the needs of science education curricula in other countries where Rolls-Royce has a major presence.

The Rolls-Royce Governors Fund helps schools to run projects involving science, engineering and technology.

Leadership in schools

Many of our employees are passionate about education. They want to get involved, and our role is to open those school gates and help our people find the right opportunities.

Partners in Leadership

Managed by Business in the Community, this UK-wide co-mentoring scheme pairs head teachers with business leaders to share management experience and broaden their leadership skills.

More than 30 Rolls-Royce senior managers have joined the partnership programme.

Ric Parker, Rolls-Royce Director of Engineering and Technology – Civil Aerospace, recently joined his second school through the programme after spending three years working with the Head Teacher at St Martins Special Needs School in Derby.

'It works because both the school and company really do see a payback. My own skills were put to use to help develop the school's long term planning and strategic direction, and I was able to give the Head Teacher some tips to improve general managerial efficiency.

I've personally developed much better listening skills through shadowing the Head in his work. I was also impressed by his accessible 'open door' management style, even when working under pressure in a difficult environment. I've tried to adopt these qualities in my own work and I think it has helped me professionally as a manager and as a mentor to employees at Rolls-Royce.'



School governors

In the UK, school governors play a strategic role in running schools, helping to set aims and objectives, policies and targets and reviewing progress.

More than 200 Rolls-Royce employees are registered as school governors.

Our support includes working with the government's School Governors One-Stop-Shop initiative to match interested employees with schools in their area. We also hold regular forums at our facilities where governors can get together to discuss their roles, share ideas and best practice.

Financial support comes from the Rolls-Royce Governors Fund, set up in 2001 to allow employee governors to apply for grants of up to £1,000 to implement a school project. The projects support learning in the areas of engineering, science or technology and, to date, more than 70 awards have been made.

West Craven High Technology College, near our site at Barnoldswick, England, was awarded £1,000 from the Rolls-Royce Governors Fund to provide students with an opportunity to carry out a 'Design and Make' project using micro-controllers.

'The school was delighted to receive this award. With the government's current emphasis on work-related learning, this project will simulate the world of work in a high technology environment.'

Nigel Weaver, School Governor and Rolls-Royce employee.

Life long learning

We have established a number of schemes to enable people to achieve their educational potential at any stage in their lives.

Training places

Shared training gives community groups and charities with small budgets the chance to attend our company training courses in the UK and North America. As well as helping the groups, it gives our own employees a different outlook. During 2003, delegates from 30 organisations in the UK attended well over 150 training days at our facilities

– 100 per cent of the community participants rated the course they attended as either good or excellent.
(Source: internal course evaluation feedback)

'The facilities were superb, the trainer was excellent and we were made very welcome by the company employees on the course.'

*Pat Grundy,
Leicestershire Heritage Services.*



Learning resource centres

We operate a network of learning and resource centres across the company. Many of these are open to the community.

Quantum Centres

Quantum Centres are IT-based learning facilities based on Rolls-Royce sites in Derby which are open to the community. People living in the area can return to learning and study side by side with our employees. Courses on offer can lead to accredited IT qualifications, enable people to brush up on a language or even learn how to pass their driving theory test.

The Centres, run in partnership with Derby College, are supported by our trade unions, the Workers Educational Association and Derby City Council. They have received the BT Life Long Learning Beacon Award, in recognition of their achievements.

By the end of 2003, the centres had recorded more than 10,000 enrolments on hundreds of courses.

Many students from the community have gone on to employment or are continuing their studies in further education.

The Enthusiasm Project works to raise the aspiration and self esteem of young people. Here, a group of 14 and 15-year olds, make good use of IT facilities at Derby's Quantum Centre.



We hold regular Rolls-Royce Manager courses including a team challenge based in the classroom.

Continuing professional development

We also encourage our employees to extend their own skills and knowledge by linking up with their community.

Common Purpose

Common Purpose provides leadership programmes for managers from all sectors of society, which take place in, and focus on, the community. We have worked with the organisation since 1994 and at least 35 of our senior managers are graduates of their programmes in the UK. We also provide office accommodation for Common Purpose in Derby and have representatives on the organisation's advisory groups in Bristol and Derby.

Common Purpose is just one of a range of opportunities that employees are encouraged to take up as part of their continuing professional development.

Arts and culture

The arts and making gas turbine engines have got a lot more in common than you might think! Both stimulate creative thinking, need innovation to flourish, and break down barriers. Arguably, the jet engine has done more to bring new cultures, tastes, sights and sounds to the populations of the world than any other single invention.

We have embarked on a series of projects within the area of arts and culture, linking many of them with other areas of our community investment in education, the environment and social and economic regeneration.

Our work in the arts:

- Illustrates how businesses and the arts can prosper from working in partnership
- Acts as a catalyst to spark activity within education, environment and regeneration
- Generates exciting opportunities for personal and professional employee development



A close relationship between music and engine noise: ViVA helped us to develop a noise appreciation course for engineers.

A&B

Arts & Business *New Partners*

Arts & Business is a UK national network creating links between arts organisations and businesses for mutual benefit. Through our membership, our employees participate in their professional development programmes to discover and develop new skills.

Our partnership with ViVA (see opposite) has brought music right into the heart of our business. In 2003, a new 'noise appreciation' course was developed by our noise engineering team in Derby with ViVA thanks to a grant from Arts & Business New Partners Fund. The team worked with the orchestra to give engineers a better understanding of what 'noise' is and its importance to our products and businesses.

'The link with ViVA was an innovative way of explaining the subject and giving, quite literally, a better appreciation of aircraft noise. The fact that people walk into the room to a piece of perfectly acceptable music composed by ViVA from recordings of fan noise is a good indication of the fine line between what might be considered noise and music.'

Nigel Birch, Chief of Noise Engineering.

The success of this training programme is demonstrated by its continued delivery in the business.



VIVA – an ‘ensemble of possibilities’

VIVA is our flagship arts partner in the community. Established in 1982, it is a professional chamber orchestra providing classical concerts and outreach activities to make live orchestral music accessible to all. We have worked with the East Midlands-based orchestra and Derby City Council since 1995 and have seen our relationship grow from simple sponsorship to a thriving partnership.

We support concerts throughout the year across the UK's East Midlands. A highlight is the free annual open-air concert in Derby which regularly attracts audiences of more than 30,000. There are also wider community activities including residencies where professional musicians and composers work with young people to create a new piece of music, culminating in an exciting public performance.

Our employees are very much involved in VIVA. Trainees have helped to create educational workshops for school children which are then delivered as part of our own education liaison activities. An example of this is our ‘High Flyers’ workshop which uses music to teach youngsters about basic engineering principles. Another trainee project has undertaken research on how to make classical music concerts more accessible to young people.



the orchestra of the east midlands

Pupils perform alongside VIVA's professional musicians during an educational residency in Derby.

During the past three years, we have contributed cash and time to the value of at least £160,000 to VIVA, which has:

- Supported 29 public performances for a total audience of almost 100,000 people.
- Supported six educational residencies involving 28 schools and almost 5,000 children.
- Enabled the orchestra to expand its portfolio by working on a number of new projects and develop as a training provider.
- Generated additional funds of at least £300,000 from other organisations.

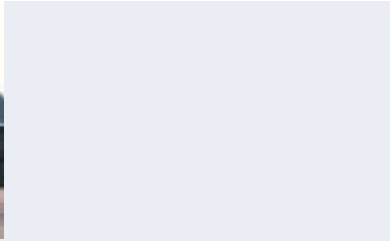
‘Mighty oaks really do grow from acorns. The support from Rolls-Royce has been a key contributor enabling VIVA to become a truly flexible musical resource to its home region. The projects and activities developed within this partnership have helped increase enormously the relevance of the orchestra to the people with whom it works. By continuing to work together we are helping each other to develop and succeed.’

Peter Helps, Chief Executive of VIVA.

Arts and culture continued



The Rolls-Royce owned Spitfire makes a popular display at public events.



Visitors at the Rolls-Royce Heritage Exhibition in Derby, England.

Rolls-Royce Heritage Trust

The Rolls-Royce Heritage Trust is an independent society dedicated to preserving and promoting the engineering excellence and heritage of the company. With branches at many of our sites the Trust has an active membership of both current and retired employees. In one joint project, a group of our graduate trainees are helping to convert a decommissioned test bed into a classic piston engine testing facility as part of a company 'Design and Make' project.

We have recently established a Trust Heritage Centre in Derby. Retired employees are on hand to expertly guide visitors – including customers and school parties – through the exhibition.

One of our biggest (and most spectacular) contributions to the community involves the company Spitfire displays at many public events.

Children proving that submarines are a great place to explore!



Support for the UK Royal Naval Submarine Museum

We have also supported the UK Royal Naval Submarine Museum in Gosport with a donation of £100,000. This helped to unlock more funds from the Heritage Lottery Fund. The museum is the keeper of a number of historic submarines of national and international significance. Our support is directed towards a new interactive educational gallery housing a mini-submarine. The gallery's activities help to explain the science and technology that goes into submarines as part of the national curriculum.

'This is a new departure for the museum and we are delighted that Rolls-Royce is helping us to bring our work to a wider audience.'

*Bob Mealings, Curator,
UK Royal Naval Submarine Museum.*



Top
Pupils' urban design concepts for Designs on Britain.

Bottom
Judges assess an impressive array of finished projects by budding architects in three UK cities.

Designs on Britain

This arts and education project gave students aged between 14 and 19 the opportunity to work with architects on urban or rural regeneration projects in London, Birmingham and Derbyshire. They produced designs and 3D models for geographic areas close to their schools. Organised by Arts Inform in partnership with the Royal Institute of British Architects (RIBA) and the Learning and Skills Development Agency, the project was supported by Rolls-Royce.

'This is a great opportunity for those involved to learn about the value and pleasure of design and, of course, demonstrates that everyone has a vital role to play in the design of the urban environment.'

Paul Hyett, President of RIBA.



Top
Wings and Strings concerts feature a magical combination of orchestral music with aerial aircraft displays.

Bottom
Audiences enjoy the live entertainment at Wings and Strings events.

Top
Our employees explain technology to school children.

Bottom
Rolls-Royce on show at the Prime Minister of Brandenburg's Summerfest event.

Royal Navy historic flight 'Wings and Strings'

This living memorial to all Fleet Air Arm personnel has been supported by us for a number of years. Events include the successful 'Wings and Strings' concerts – outdoor 'picnic style' events which have aircraft (both historic and modern) flying overhead to music. The concerts have benefited the Young Person's Concert Foundation, an educational organisation supporting the teaching of music to disadvantaged children.

Festivals in Germany

Rolls-Royce Deutschland plays an active role in the community sponsoring several events.

We have supported the annual Federal President's festival for a number of years. This prestigious event takes place at the impressive Schloss Bellevue in Berlin and is a key date in the company's diary.

We are also a regular sponsor of the Prime Minister of Brandenburg's annual Summerfest. The festival held at the Krongut Bornstedt in Potsdam, presents an ideal opportunity for us to demonstrate our strong and committed presence in the region.

In another spectacular event, our employees were involved in a summer festival held for more than 3,500 children across Berlin. Hosted by the Federal President, the event gave a group of our trainees an opportunity to design a range of fun, educational activities to entertain the children. Our employees gave demonstrations of their skills in the workplace, and a Rolls-Royce BR710 aero engine and interactive model turbine was a big attraction. Youngsters aged between 8 and 12 were taught how to make and paint paper aeroplanes which were then used as decorations in the large Rolls-Royce marquee.



Learning in creative surroundings: our trainees at a Tate Liverpool workshop.

Tate partnership

We are engaged with Tate Liverpool gallery in an ambitious project centred around team-based working, which will bring an added dimension to our modern apprenticeship programme. More than 50 of our young people will be exploring, with resident artists, their approaches to work to inspire creative thinking and develop new skills.

Initial feedback has been extremely positive. As one of our apprentices said: 'I can already make the links. We start with an idea, and then use our skills and our materials to create a finished piece.'

We were a founding corporate partner of Tate galleries in London, assisting a scheme to raise funds for both Tate Britain and Tate Modern. This helped to secure the opening of Tate Modern in May 2000 which, with 5.25 million visitors in its first year, is the most popular modern art museum in the world and Britain's third most popular tourist attraction. It also enabled work on the centenary development at Tate Britain. The scheme contributed to the running costs of both galleries and has supported their work in education, conservation and research.



'This is a ground-breaking approach to staff development. Like Rolls-Royce, Tate has always been at the cutting edge of innovation and creativity. We're confident that this partnership will produce a new model for industry and the arts that can extend the creative ability of a new generation of engineers.'

Naomi Horlock, Education Curator, Tate Liverpool.

The Environment

The environmental strand of our community programmes is designed to help us fulfil our social responsibilities to the environment. Many of our activities have strong links to science education.

As a leading power company we take our environmental responsibilities seriously both in terms of product development and our ongoing operations.

We measure our performance, and for the seventh year running, have made steady progress in the UK's Business in the Environment Index, achieving a score of 94 per cent and first place in our sector.

Our environmental performance is detailed in a separate report, published on our website www.rolls-royce.com

We demonstrate our social responsibility through the wide range of community education initiatives in which we participate. A large number of our programmes are driven by our employees' enthusiasm and personal commitment to the environment.

Our manufacturing facility in Inchinnan, Scotland.



Local liaison

At some of our larger operations around the world, we work with relevant key stakeholders, including local government and regulatory authorities, to discuss common issues relating to our environmental impact.

- We have invested more than £40 million in upgrading our engine testing facilities in Derby to minimise the environmental impact to local residents.
- The building phases at our manufacturing facility at Inchinnan in Scotland were adjusted to take into account a long-established population of nesting swans.
- We have established a wildlife conservation area around our learning and career development centre in Derby, England.

– At our nuclear licenced site in Derby we have a well-established local liaison committee involving our senior and operational staff and key external stakeholders. These include: councillors and council officers; emergency services; the Nuclear Installations Inspectorate; the Food Standards Agency and the Environment Agency. The committee meets regularly and is recognised as an important forum to discuss issues and exchange information.



Opening of the Greenheart Lake at Rosliston Forestry Centre, part of The National Forest.



THE NATIONAL FOREST

Much more than trees...

'We particularly value relationships that develop and grow over time to benefit all of the partners and this has certainly been the case with Rolls-Royce. As a result of its corporate support and the involvement of employees the creation of The National Forest itself has been boosted.'

Susan Bell, Chief Executive, The National Forest Company.



Top
A hedgehog nesting insulation experiment.

Bottom
Mini-beast hunting with the Environmental Education Project.

We are actively involved in the creation of a new 200 square mile forest in the heart of England. It is a project led by The National Forest Company (TNFC), established in 1995 by the UK Government.

Building a new landscape from scratch is a long-term project – and we understand long-term projects! What began as a one-off cash donation to TNFC four years ago has grown into a multi-dimensional programme involving other partners including South Derbyshire District Council and the Forestry Commission.

Our initial sponsorship helped create a lake at Rosliston Forestry Centre in South Derbyshire, establishing a new wetland habitat to encourage wildlife to the area and making the centre more attractive for visitors.

The success of the lake project led us to explore ways of continuing our support. We are now involved in an environmental education partnership project which works annually with many thousands of visitors, including school pupils and community groups.

We have also provided support in the form of printing educational materials, and have seconded an employee to work on the future development of the Rosliston Forestry Centre.

This partnership's success is impressive. Our cash contribution has been less than £60,000 but has leveraged at least a further £167,000 cash and in-kind benefit to the project.

The environmental education project has welcomed over 15,000 school pupils from more than 100 schools and has so far run events which have attracted a further 5,000 people.



Children from Coton in the Elms Primary School try out the woodland resource pack developed by the Foresters team.



Local school children try out the play equipment designed and built by the TREEmendous team at the Rosliston Forestry Centre.

The Foresters project

As part of our programme of community projects for trainees, our Naval Marine business sponsored a project to create curriculum materials to encourage schools to use their local woodlands as a resource for education.

A team of trainees based in Derby, England undertook research with schools across the area to find out why their local woodland areas were not being used. Teachers fed back ideas, which helped the team to produce a pack of materials that closely followed the national science curriculum.

The resource pack they created included a mix of games, puzzles and worksheets. For example, they produced 'tree leaf spotter' worksheets and identification booklets to help pupils discover the different trees and leaves found in their local woodland area.

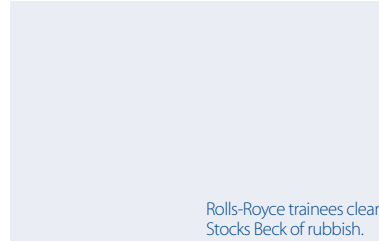
The trainees designed the pack to be used in a range of formats, from fun activities and games through to formal lessons. Teaching staff weren't left out either – the trainees supplied them with comprehensive teacher notes and guidelines.

The TREEmendous project

Another community project for trainees, this time sponsored by our Airlines Operations business, took on the challenge of providing a recreational area for 9 to 13 year-olds at the Rosliston Forestry centre. Working with the Forestry Commission, The National Forest Company and South Derbyshire District Council, the trainees spent 1,500 hours on the project to broaden its appeal to older children. This involved researching, designing and helping to build and test the play equipment which included an impressive aerial runway, scramble net, chain bridge and climbing centre.

'The research undertaken for this project was superb. It included local schools, local councils and the Royal Society for the Prevention of Accidents.'

Alan Dowell, Forestry Commission.



Rolls-Royce trainees clear Stocks Beck of rubbish.



Trainees tackle pollution

Twenty trainees from our Barnoldswick facility in Lancashire, England took on a team-building challenge to clear up rubbish strewn along a mile-and-a-half stretch of Stocks Beck, a watercourse flowing between the site and a public park. With a recycling and refuse centre close to the problem area, the team decided to extend the scope of their clean-up campaign and raise awareness of pollution amongst local children. The group is now planning a programme of talks at schools in the area to share ideas on ways to dispose of litter responsibly and how to identify and preserve wildlife.



School children in Indianapolis make good use of surplus Rolls-Royce IT equipment.

Recycling computers

Donating computers to the local community is becoming a global project at Rolls-Royce. In partnership with EDS, our IT solutions provider, thousands of computers have been recycled into the community, benefiting the user and the environment by re-distributing equipment that would otherwise be destroyed.

In Bergen, Norway, computers were donated to Nordheimsund primary school. As Lasse Skele, Principal of the school explains: 'Rolls-Royce staff adapted PCs so that we can use them in our primary school. This kind of support from industry means a great deal to our school, having a small IT budget.'

In Indianapolis in the US, 1,000 computers otherwise earmarked for a landfill site are now helping students in local urban schools sharpen their information technology skills.

'Civic involvement is a priority for us and this activity fits our commitment to supporting technical education in the community.'

Dick Lewis, retired Chief Operating Officer, Indianapolis.

Your challenge, should you choose to accept it...

We encourage our employees to tackle a wide range of one-off challenges in their local communities. Community involvement is a journey for them as well as the company, giving them the chance to explore new opportunities and discover new skills.

And each year hundreds of employees do just that, trying their hand at everything from painting and decorating to establishing wildlife areas. These challenges often have an environmental theme giving our employees the chance to get into the great outdoors and achieve a tangible, practical result.



Site for sore eyes

A group of five Bristol employees discovered their green fingers after transforming an overgrown plot at Frenchay Hospital into a creatively designed garden complete with outside seating for the patients. According to their manager, the group learned more about each other in that one day than they had in months at work.

'As a result of this project, employees are better able to communicate and work together as a team, which is good for the business and good for themselves.'

John Elliott, the team's plant leader at Rolls-Royce.



A 20 strong logistics team at Hucknall in the UK put their organising skills to the test by raising over £3,000 cash and in-kind support to renovate a courtyard and children's play area at Nottingham City Hospital.

The project involved building a wheelchair ramp, erecting gazebos, raking lawns and building playhouses.



Britain in bloom

Top
Our modern apprentices show visitors around the urban community garden they renovated in Normanton, Derby.

Bottom
Rolls-Royce employees help to conserve wetland habitats.

Our support for urban regeneration was recognised with a special commercial award in The Royal Horticultural Society's Britain in Bloom 2003 competition.

A group of our trainees made a significant contribution to Derby's entry in the national awards with their complete makeover of a community garden in the Normanton area of the city.

In a separate team-building exercise, 14 employees from our Business Assurance function in Derby helped to create a safe habitat for the endangered Great Crested Newt.

They joined forces with a school's gardening club, the British Trust for Conservation Volunteers and Derby City Council to rejuvenate two overgrown ponds for the species. The ponds, close to Murray Park School, will be used by the students as part of their science lessons. The project received a commendation in the Britain in Bloom regional finals.

'It was a great learning experience for our team – we would definitely do it again.'

Mark Wilford, Head of Business Assurance.

Regeneration

Discovering ways of tackling social and economic deprivation in our communities is a major challenge. We aim to take action where we see disadvantage, working in partnership with specialist agencies and organisations to address issues as wide ranging as homelessness, unemployment, underachievement and crime.

Our community involvement in this area aims to:

- Encourage enterprise
- Find sustainable solutions to alleviate disadvantage
- Support our communities and the causes that matter to our employees



Habitat for Humanity

Employees in Indianapolis take part in Habitat for Humanity every year to build a house for a low-income family.

Habitat for Humanity is an innovative employee-volunteering scheme to build homes for low-income families and provide them with interest-free mortgages.

The US-based scheme has drawn extraordinary levels of support from our employees in Indianapolis and is now firmly entrenched as part of the company's civil involvement programme in the state.

Since 1997 they have built six houses. In one project, 175 employees built a five-bedroom house for a local family in just eight working days – setting a record in 2002 from the usual build time of two weeks.

Typically beginning with an empty site, Rolls-Royce volunteers are closely supervised by a professional builder who provides the detailed specifications. Rolls-Royce is a leading sponsor of materials and labour and employees can volunteer their time in working hours to help.

One Rolls-Royce volunteer said: 'I've learnt that good teamwork and a sense of humour are qualities you need in abundance when faced with building a house! Ultimately it's the smiles on the families' faces when they see their home completed that keeps us coming back.'

Ação Comunitária provides practical IT courses for young people living in the Favelas in Rio de Janeiro.

Young people receive their qualification in computer skills via Ação Comunitária.



Rolls-Royce Brazil

In Brazil we have been working with Ação Comunitária, a charity providing practical education courses for young people living in the Favelas in Rio de Janeiro. Our investment has supported 80 courses in computer skills to 1200 students, since 1999.

Support for SARS Relief

Rolls-Royce in China donated RMB 50,000 (equivalent to £4,000) to the country's Red Cross Society during the Severe Acute Respiratory Syndrome (SARS) outbreak in 2003. The funds were used to buy equipment to help bring relief to those people in outlying regions with limited access to medical support.



Payroll giving

Payroll giving benefits everyone. Charities receive a regular income and employees can make easy, tax-efficient donations. Payroll giving has really taken off at Rolls-Royce, allowing our employees to donate to the charity of their choice. We run schemes in North America and in the UK, both of which have seen impressive take-up rates.

In North America – we've teamed up with United Way in the US and United Way Centraide in Canada. More than 40 per cent of employees participated in this payroll giving scheme in 2003, donating over US\$475,000 to causes they care about. Following the tragic events of September 11, 2001, the charity launched a disaster relief fund to help victims and families affected by the terrorist attacks and our employees started their own successful campaign of support. The company matched all of the funds raised by many different employee activities.

23 Rolls-Royce in the Community

In the UK – 20 per cent of the UK workforce donated over £320,000 to 250 charities in 2003. Our scheme, which is personally championed by Sir John Rose, has the third highest take-up by employees in the UK and their contribution was highlighted in 2003 as an example of best practice in the UK Chancellor of the Exchequer's Giving Campaign. We work with external broker Sharing the Caring and distribution agency South West Charitable Giving to publicise the scheme, and handle the donations. All the administration costs are funded by Rolls-Royce and payroll giving is a feature of all new employees' induction.

Children's charity Hope for Children has received a steady stream of income from our employees through payroll giving. This is essential to develop and run small projects in 20 countries around the world.

(Image supplied courtesy of Hope for Children)

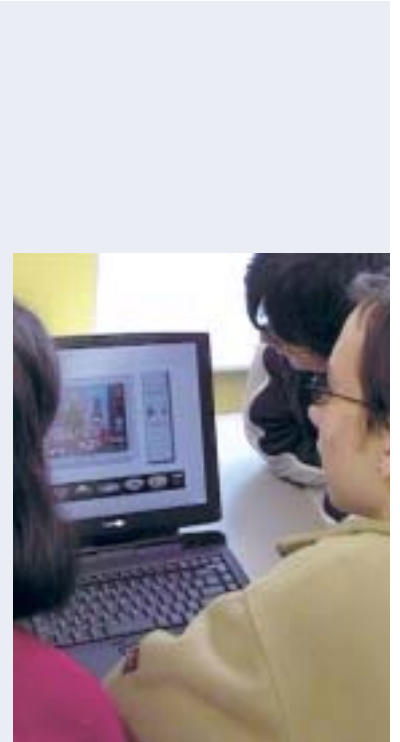
'Our employees want to give, and payroll giving is the easiest, most tax efficient way to support the causes they care about.'

Helen Bishop, Head of Community Relations, Rolls-Royce.



Help the Hospices has received 298 donations from Rolls-Royce employees to date. David Burland, Director of Fundraising says 'Payroll Giving is vital as it provides a regular, dependable source of income that enables us to plan effectively and support hospices throughout the UK.'

(Image supplied courtesy of Help the Hospices)



Community foundations

We believe community foundations are a smart way to support local communities over the long term. These independent, charitable trusts manage and award funds on behalf of individuals and companies. Endowment funds are built up and capital invested so that the interest generated can be used to award grants to community projects. As the fund grows, so does the income and, over time, the value of grants given will far exceed the initial donation.

We were introduced to the concept in the mid-1990s and now work with community foundations in the UK serving the areas around our sites in Derby, Bristol and Sunderland. The company has invested strategically in community foundations, often at critical stages in their development.

By 2005, we will have committed well over £425,000 to these local endowment funds, which will continue to grow with investment and interest.

So far Rolls-Royce funds have generated in excess of £40,000, which we've awarded in grants to 35 community groups.

The South Gloucestershire Senior Citizens' Forum received a £500 grant from the Rolls-Royce Fund at the Greater Bristol Foundation in 2003.

The money will be used to hold a Senior Citizens Day, giving members access to information about issues that are important to them, including healthcare and pensions.

As a result of our support, foundations in Derbyshire and Bristol have also secured additional funding of £180,000 from other sources.

'Rolls-Royce has the vision and commitment to think beyond the short term and this makes a lasting difference to the health of very varied communities.'

Helen Moss, Board Member, Community Foundation Network, and Director, Greater Bristol Foundation.

Skills for People, based in Newcastle, works with people with disabilities to help them speak up for themselves. In 2002, they received a £2,000 grant from the Rolls-Royce Fund at the Community Foundation serving Tyne & Wear and Northumberland to replace outdated computer equipment. Staff and volunteers can now produce accessible information for the 2,500 disabled people who use their services every year.



Prince's Trust

In Motherwell, Scotland, a joint Rolls-Royce and Prince's Trust team renovated a wilderness garden for Maxwellton Primary School. Each Team contributes about £7,250 worth of benefit to the local community.



The Prince's Trust

The Prince's Trust works with 14 to 30 year olds throughout the UK, helping them to realise their potential. The organisation targets those who have struggled at school, have been in care, are long-term unemployed or have been in trouble with the law.

After supporting its work for many years, we formed a partnership with The Prince's Trust in 2001, establishing a five-year programme to help more young people living in areas surrounding some of our UK sites.

'We place a high value on the long-term support provided by Rolls-Royce. It is not only the financial support that is welcome but the help we receive from Rolls-Royce staff who are getting involved in their local communities to support even more young people.'

Carol Homden,
Commercial Director, The Prince's Trust.

The Team Programme is a 12-week project to help 16 to 25 year olds boost their confidence, motivation and skills. Over the five-year partnership, we will support 20 Teams and have already helped at least 75 young people on seven programmes in Bristol, Derby and Motherwell. Nearly 70 per cent of young people taking part progress into education or find work.

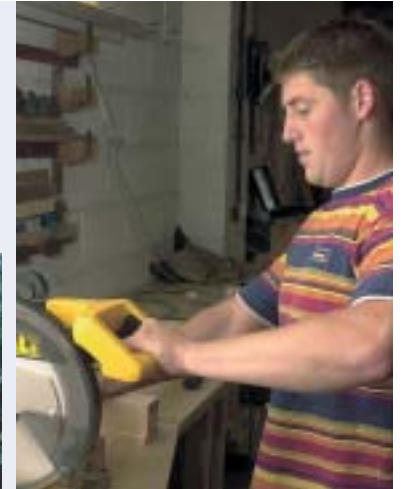
'This programme has placed me back in the working world and I now have the motivation to go and do pretty much anything I set my mind to.'

Adele, 18, part of the 2002 Team in Motherwell, Scotland.

Our own trainees are encouraged to join Prince's Trust teams. They complete 20 days of the 12-week scheme to develop their interpersonal and project management skills. We also offer work placements to unemployed team members. One young man from Motherwell has now set his sights on joining our Modern Apprenticeship Scheme, following his placement at our facility in East Kilbride.

'I enjoyed my time at the training centre in Derby and learned a lot about Rolls-Royce and what everyone does there.'

Stephanie, 16, following her two-week work placement in Derby.



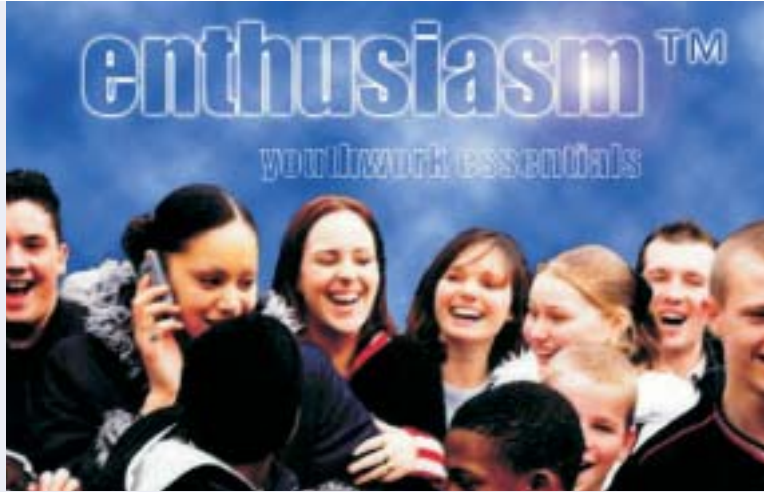
Ben Franklin, a joiner based in Derby, recently worked with our Visual Communications team to produce a package of professionally designed business and marketing materials.

The Business Start-up Programme offers grants, low interest loans and support to people aged from 18 to 30 who want to start their own business and have been refused funding by mainstream sources. We will support 20 business start-ups with The Prince's Trust and have already helped seven young people in the Bristol and Derby areas.

Although the banks view these business starts-ups as high risk, The Prince's Trust claims a high success rate with 55 per cent trading into their third year. Business mentors can make a critical difference by providing support and guidance on a voluntary basis to every business and we encourage our employees to take up this key role.

'It's very rewarding being involved in a new business. My 'mentee' is really positive about our relationship and finds it useful to have a third party to bounce ideas off, knowing that I'm going to give her my honest opinion.'

Sarah Graybine, Business Mentor and Rolls-Royce Customer Business Executive.



The manual created for the Enthusiasm community programme by Rolls-Royce trainees.



Sharing issues during a Ready to Go training programme.

Community Projects for trainees

Community Projects for our trainees form an integral part of our company training programmes in the UK. They offer our newest employees the opportunity to develop their personal, team and project management skills whilst making a positive contribution in the community. Groups of three to eight trainees are challenged to meet the business requirements of one of our key community partners. Their Rolls-Royce business sponsor provides a small budget and a mentor to advise the trainees throughout the period of their project.

During 2002, 50 trainees took part in 10 Community Projects, spending an average of 500 hours on each project.

The Enthusiasm community project took its name from a Derby-based organisation working with young people in a disadvantaged area close to our biggest site. The challenge for our trainees was to produce a manual, based on Enthusiasm's experience and success, which could be sold to other groups seeking to have an impact on their local youth community.

Using the London Benchmarking Group's model we estimate that: **the initial budget of £500 was supplemented by more than £8000 of other in-kind support, and generated benefits to the community in excess of £160,000.**

London Benchmarking Group model

Business benefits

- Developmental experience for five employees.
- Improved community links in area bordering our largest site.
- Enhanced positive profile of Rolls-Royce.

Community benefits

- Created a brand and image for Enthusiasm.
- Enthusiasm project is sustainable and replicable in other areas.
- Helped to build self-esteem of 15 young people directly involved in the project.

Every year all our community project teams present their programmes to a panel of senior internal and external judges. The Enthusiasm Team was rewarded with our highest accolade, winning the Rolls-Royce Chairman's Award for Community Projects in 2002.

Project Compass Ex Services READY to WORK programme

It is estimated that one in four homeless people in the UK is a former member of the Armed Forces. A small but significant number find it difficult to make a successful transition to civilian life and become homeless. Most have the potential for employment but may face other issues which can prevent them from entering the job market.

Recognising the natural link to our Defence business, we supported the first year of this programme which is run by the UK Ministry of Defence Veterans Agency, Business Action on Homelessness and Training for Life. The project enabled homeless ex service people in London to take up three week training programmes and work placements.

'Through its financial support and active membership of the steering group, Rolls-Royce has been instrumental in the success of this project.'

*Patrick Lyster-Todd,
Business Action on Homelessness.*

The pilot programme is now being rolled out on a national basis.



We have been asked to assess how Rolls-Royce has applied the London Benchmarking Group (LBG) model to measure and report on its global corporate community involvement activity.

The LBG model helps businesses to improve the management, measurement and reporting of their corporate community involvement programmes. It focuses on companies' voluntary contributions to society, encouraging as accurate, quantitative, and complete an account as possible. The model applies consistent methods for valuing a company's inputs to community programmes, including cash, time and 'in kind'. It also examines the programmes' outputs and longer-term impacts. There are now over 70 LBG member companies, which work together to improve the management and measurement of their community programmes, and greater consistency and comparability in their external reporting (see www.lbg-online.net for more information).

Rolls-Royce is an active and committed member of the LBG. As manager of the LBG, we have worked with Rolls-Royce to review its understanding of the model during this, its second year of membership. We are satisfied that LBG evaluation principles are understood and being correctly applied in material respects, and that Rolls-Royce has made particular progress in measuring what its major projects achieve, both for the community and the company. Our work has not extended to an independent audit of the data presented in this report.

Looking ahead, we recommend that Rolls-Royce aims to capture and report a greater proportion of its contributions, particularly employees' volunteering in paid company time, and the contributions of different business units. The company is already committed to introducing LBG evaluation principles more widely throughout the company and monitoring their implementation, and we look forward to seeing the results of this investment in the years ahead.

**The Corporate
Citizenship Company**
November 2003

BUSINESS *in the*

COMMUNITY

Business in the Community welcomes the first Rolls-Royce community investment report. It is a comprehensive record of the company's programmes and demonstrates its commitment to local communities. The publication contains examples of the programmes and initiatives Rolls-Royce has undertaken and been involved with.

Business in the Community is a unique movement of 700 companies across the UK committed to continually improving their positive impact on society. Rolls-Royce has played a key role in developing the movement since it became a member in 1987, and recently, through the leadership of Sir John Rose, has supported the development of leadership in schools.

At Business in the Community we are asking more of our members, in particular we ask them to make a commitment to action to:

- Integrate responsible business practice throughout their business
- Impact through collaborative action to tackle disadvantage
- Inspire, innovate and lead by sharing best practice

Across the business we are delighted to see Rolls-Royce addressing each of these commitments and constantly developing and improving its performance against them.

Rolls-Royce takes seriously its responsibility to report publicly on its community involvement in the UK, and has participated annually in our Corporate Responsibility Index since its inception in 2002. This index is designed to help companies integrate responsible practice across their business.

Rolls-Royce is leading by example, with staff involved in an impressive range of programmes that make a real difference to real people and help tackle disadvantage in local communities. Partners in Leadership (matching headteachers with senior business managers), Project Compass (supporting homeless ex-service men and women) and the piloting of a new programme Skills Bank, which helps improve the links between schools and business, underline Rolls-Royce's commitment to tackle disadvantage.

We applaud the commitment Rolls-Royce makes to community investment and corporate responsibility and its recognition of the benefits this brings to business stakeholders and the local community.

Business in the Community
November 2003

We welcome your feedback on this report and our activities.

If you would like more information our community relations team would be pleased to hear from you.

Contact us at:

Rolls-Royce – Community Relations
PO Box 31
Derby
DE24 8BJ

Tel: +44 1332 248210

Fax: +44 1332 245331

We encourage your feedback via our website www.rolls-royce.com where on-line and downloadable versions of this report are also available.

For more details of our charitable donations policy or if you wish to make an appeal, please write to:

John Warren
Deputy Company Secretary
Rolls-Royce Group plc
PO Box 31
Derby
DE24 8BJ

Arts & Business

www.aandb.org.uk

British Association for the Advancement of Science (BAYS)

www.the-ba.net

Business in the Community

www.bitc.org.uk

Common Purpose

www.commonpurpose.org.uk

Community Foundation Network

www.communityfoundations.org.uk

Derby College

www.learningzone.derby-college.ac.uk/quantum-centre

EDS

www.eds.com

For Inspiration and Recognition of Science and Technology (FIRST)

www.usfirst.org

Habitat for Humanity

www.habitat.org

Helping One Student To Succeed (HOSTS)

www.hosts.com

London Benchmarking Group

www.lbg-online.net

Open Industry

www.openindustry.org.uk

UK Royal Naval Submarine Museum

www.rnsubmus.co.uk

School Governors One Stop Shop

www.schoolgovernors-oss.co.uk

Science Engineering Ambassador's scheme (SEAs)

www.setnet.org.uk

Science, Engineering Technology Mathematics Network (SETNET)

www.setnet.org.uk

Sharing the Caring

www.sharingthecaring.org.uk

South West Charitable Giving

www.swcgc.co.uk

Tate

www.tate.org.uk

The National Forest Company

www.nationalforest.org

The Prince's Trust

www.princes-trust.org.uk

United Way Canada

www.unitedway.ca

United Way America

www.unitedway.org

ViVA:

the orchestra of the east midlands

www.vivaorch.co.uk

The paper used in this report is produced in an elemental chlorine free process from 50% pre and post consumer waste. The paper mills have achieved accreditation to the environmental standard ISO 14001.

Designed by williams and phoa

The Jubilee project

This project was a unique opportunity to celebrate Her Majesty The Queen's Golden Jubilee by bringing together some of our key partners in Education, Arts, and the Environment.



VIVA, the orchestra of the East Midlands, South Derbyshire District Council and The National Forest Company all work closely with Rolls-Royce on a range of programmes to enhance community life and benefit our business.

For the Queen's Golden Jubilee in 2002 we all joined forces.

Twenty-five pupils from Dale Primary School in Derby took part in stimulating after-school workshops involving visual and musical artists, trips to a local forestry centre and a visit to our advanced technology exhibition, all of which sparked lots of ideas...

The outcome was a spectacular procession at Derby's Pride Park in front of the Queen and more than 30,000 spectators. The children represented Rolls-Royce in the community and, wearing specially designed costumes inspired by turbine blades used in our engines, danced through the proceedings with confidence.

The youngsters presented their own imaginative display, with two highly original aeroplane engines and a colourful banner featuring some of the wildlife they had discovered during a workshop.





© Rolls-Royce Group plc 2004

Rolls-Royce Group plc
65 Buckingham Gate
London
SW1E 6AT

www.rolls-royce.com