



**Rolls-Royce**

# **Global Offset Policy**

**Trusted to Deliver Excellence**

# Introduction

Rolls-Royce engages in Offset activity as an appropriate business practice, and is committed to ensuring that any Offset activity is in full compliance with all laws and regulations, in accordance with our zero-tolerance to bribery and corruption as set out on section 4 of the Rolls-Royce Global Code of Conduct.

The principles of this Global Offset Policy (“Policy”) are for all Offset Transactions to be implemented:

- in a consistent, efficient and cost-effective manner; and
- in full compliance with our zero-tolerance approach to bribery and corruption as set out in section 4 of our Global Code of Conduct and in the Anti-Bribery and Corruption Policies (“ABC Policies”).

This Policy is mandatory and applies to all employees and representatives of Rolls-Royce and its wholly owned subsidiaries (“Rolls-Royce” or “Company” or “employees”). A Rolls-Royce employee who is a director on a Board of a joint venture should encourage the joint venture to adopt this Policy as a model or use a similar policy which meets similar standards.

This Policy and the other ABC Policies set a minimum standard that must be followed. Where local laws, regulations or rules impose a higher standard, that higher standard must be followed. Breaches of the ABC Policies are not acceptable and may result in disciplinary action up to and including dismissal.

## Common Terms

**Offset:** arrangements made under, or in connection with, a contract between the Company and a customer (or the Company and a contractor to a customer) to generate work or create capability or economic value in that customer’s country for which that customer’s Offset Authority may grant credits (“Offset Credits”) to the Company or otherwise release it from its offset obligations.

**Offset Authority:** a government entity, within a country, that is tasked with implementing and administering the country’s Offset policy or activities.

**Offset Panel:** an internal panel responsible for reviewing and endorsing all Offset Transactions, comprising the Director of Risk and two lawyers external to Rolls-Royce.

**Offset Transaction:** any of the following:

- an individual project, contract, investment, transfer, purchase or any other arrangement or undertaking for the purpose of discharging an Offset commitment of the Company; or
- any proposed arrangement with an Offset Authority that may allow the Company to earn Offset Credits in advance of the Company entering into a formal contract including an Offset commitment (“Offset Credit Banking”); or
- the purchase, sale or transfer by the Company of Offset Credits in an arrangement that involves a third party (“Offset Credit Trading”); or
- any arrangement between two or more governments that mutually reduces any Offset obligations owed by parties within their countries (one of which is Rolls-Royce) in any or all of the other countries (“Offset Abatement”).

# 1. Global Offset Policy

## 1.1 Policy

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1.1.1 All Offset or Offset Transactions carried out by, or on behalf of, the Company must be carried out in accordance with this Policy and all applicable laws and regulations. These include, but are not limited to, anti-bribery and corruption legislation, export controls and local procurement laws and regulations.

1.1.2 Any third parties involved with the delivery of Offset will be subject to an appropriate level of due diligence as set out in the mandatory Offset Procedures.

1.1.3 All Offset and Offset Transactions must be approved in advance in writing by:

- a. the relevant Divisional President or Functional Director;
- b. the Director of Offset; and
- c. any other relevant approvers as set out in the Appendix to this Policy.

1.1.4 All Offset Transactions must also be:

- a. endorsed by the Offset Panel which advises the Company whether or not to proceed with the Offset Transaction; and
- b. approved in advance in writing by the Rolls-Royce General Counsel as final approver and delegate of the Rolls-Royce Board.

1.1.5 The full process for undertaking Offset is set out in the mandatory Offset Procedures which the Offset Panel will expect compliance with.

## 1.2 All employees

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**You must:**

1.2.1 only engage in Offset where you can demonstrate:

- a. there is no apparent risk of corrupt or unethical behaviour;
- b. there is a clear business case;
- c. there is approval of the Offset Transaction from the Director of

- Strategic Export Controls (or their delegate);
- d. there is a compelling justification for the level of Offset required; and
  - e. the Company would not be embarrassed if the details of the Offset activity or Offset Transactions were made public;

1.2.2 involve the Corporate Offset Group at an early stage to assist with identifying cost-effective Offset Transactions;

1.2.3 refer any matters listed in section 1.3 to the Corporate Offset Group; and

1.2.4 report as soon as possible if you know or suspect a breach of any ABC Policy by you or by another person, including those acting on behalf of Rolls-Royce who are not Rolls-Royce employees (for example, logistics providers). Reports should be made to a member of the ABC Compliance team, the Legal Function or the Ethics Line.

## 1.3 Corporate Offset Group

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### **The Corporate Offset Group will:**

- 1.3.1 direct all Offset (ensuring that appropriate due diligence is conducted and prior endorsement of the Offset Panel, and prior approval of the Group General Counsel, is obtained);
- 1.3.2 manage and coordinate all dialogue concerning Offset with Offset Authorities, government bodies and contractor customers;
- 1.3.3 advise on all contractual commitments relating to Offset;

- 1.3.4 manage all Offset Credit Banking, Offset Abatements and Offset Credit Trading;
- 1.3.5 allocate Offset Credits and apportion eligible Offset activity to divisions, businesses and functions across the group; and
- 1.3.6 maintain a record of all Offset activity.

## 1.4 Divisional Presidents, Functional Directors and Business Leaders

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### **You must ensure that:**

- 1.4.1 all employees with responsibility for any transactions involving Offset in the division, function or business are aware of this Policy and have taken part in any required Offset training relevant to their roles;
- 1.4.2 sufficient resources and personnel, and appropriate systems and reporting requirements, are in place to properly implement and operate this Policy;
- 1.4.3 the records required as a result of, and to comply with, this Policy are complete, up-to-date and accessible for internal and external review;
- 1.4.4 appropriate funding is allocated to manage Offset obligations as advised by the Corporate Offset Group and agreed with the relevant Divisional President, Functional Director and/or Business Leader;
- 1.4.5 all Offset Transactions are appropriately accounted for in line with Rolls-Royce internal accounting policies;

1.4.6 all necessary prior, written approvals or endorsements are obtained for any Offset Transactions, as set out in the Appendix;

1.4.7 all Offset is:

- a. appropriately resourced;
- b. referred to the Corporate Offset Group at the earliest possible stage for direction and full support is provided to the Corporate Offset Group to assist them in fulfilling the requirements of this Policy;
- c. subject to the necessary due diligence, as set out in the Offset Procedures; and

d. endorsed in advance by the Offset Panel;

1.4.8 the Corporate Offset Group is notified at the earliest possible stage of any possible failure to deliver on an Offset obligation; and

1.4.9 any non-compliance with this Policy is dealt with in an appropriate and timely manner, and reported to the Director of Offset and the Chief Compliance Counsel – ABC.

## 2. Where to find out more

- The Corporate Offset Group  
[http://www.infocentre.rolls-royce.com/risk/pages/organisation\\_charts/risk\\_organisation\\_charts.htm](http://www.infocentre.rolls-royce.com/risk/pages/organisation_charts/risk_organisation_charts.htm)
- The Rolls-Royce ABC Compliance team  
[www.infocentre.rolls-royce.com/compliance/pages/compliance\\_contacts.htm](http://www.infocentre.rolls-royce.com/compliance/pages/compliance_contacts.htm)

or specifically the office of the Chief Compliance Counsel – ABC:

### **Jo Morgan**

Chief Compliance Counsel – ABC

Rolls-Royce plc

62 Buckingham Gate, London SW1E 6AT

Telephone: +44 (0) 207 227 9115

Email: [Jo.Morgan@Rolls-Royce.com](mailto:Jo.Morgan@Rolls-Royce.com)

## 3. Other documents you should read

- The Offset Procedures  
[www.infocentre.rolls-royce.com/compliance/pages/Offset.htm](http://www.infocentre.rolls-royce.com/compliance/pages/Offset.htm)
- The Rolls-Royce Global Code of Conduct  
[www.rolls-royce.com/global\\_code\\_of\\_conduct](http://www.rolls-royce.com/global_code_of_conduct)
- The ABC Policies and guidance documents on the Rolls-Royce Compliance intranet pages  
[www.infocentre.rolls-royce.com/compliance](http://www.infocentre.rolls-royce.com/compliance)

# Appendix

<b>Approver/Endorser</b>	<b>All Offset</b>
Divisional President or Functional Director	✓
Director of Offset	✓
Offset Panel Endorsement	✓
General Counsel (as delegate of the Board)	✓
Director of Strategic Export Controls	✓
Regional Director (where relevant)	✓
Mergers and Acquisitions Policy approvals	Where Mergers and Acquisitions activity is involved
Finance Committee of the Board	Where the Offset Transaction involves the provision of a loan
Additional approvals	Any additional approvals set out in the Rolls-Royce Board Delegated Authorities

**Document control - for internal use only**

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<b>EFFECTIVE DATE</b>	30 June 2015
<b>NEXT SCHEDULED REVIEW</b>	June 2016
<b>SPONSOR</b>	Director of Risk
<b>OWNER</b>	Chief Compliance Counsel
<b>AUTHOR</b>	Chief Compliance Counsel
<b>SUPERSEDES VERSION</b>	First issue
<b>SCOPE</b>	All employees globally, subsidiaries and JVs

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