

Policy on Supply Chain Including Outsourcing and Off-Shoring

Introduction

We have a highly complex and global supply chain. Outsourcing and off-shoring add to that supply chain complexity. The data that we pass to our suppliers can involve a broad range of technologies. Not only does that information need to be protected and access to that information, or our information systems, be in accordance with our information security policy it also needs to be in compliance with legal obligations relating to export control. These risks need to be fully assessed before decisions are taken on which supplier to use. There is an express need to determine whether any export controlled US origin technology forms part of any package of information to be provided to a supplier because of the constraints placed upon us and them by the US's re-transfer and re-export requirements.

Given the complexities that surround export control and the 'flow-down' of responsibilities that are attached to the transfer of controlled technology we also need to ensure that our suppliers understand and can demonstrate that they can comply with their export control obligations.

Our US suppliers have a duty to tell us the export control classification of their product (parts, components etc.) and technology (including design data, software etc.). This is a regulatory requirement to ensure that, where they are the design authority, they have informed us as recipients so we understand how we can handle, incorporate re-transfer or re-export their product or technology. If suppliers fail in this responsibility, Rolls-Royce must fulfil the requirement before conducting a re-transfer or re-export.

Policy

When working with suppliers, businesses and functions must ensure that:-

1. They know the export classification in all relevant jurisdictions of all technology, physical goods and software that they wish to send to a supplier, including whether any items are of US origin and, if so, the US classification and any conditions that apply to how those US origin items can be transferred.
2. That they liaise with their export control team to determine whether authorisations (if any) are already in place, or will be required to export , re-export or re-transfer technology to the new supplier and that due account is taken of the time that it is likely to take to obtain, where necessary, new authorisations within the sourcing timetable.
3. That there are constraints placed upon us by sanctions and embargoes (as set out in destination specific policies) and these must be addressed fully and satisfactorily before a supplier is chosen.

4. That export control screening actual and potential suppliers is also undertaken as would be the case with a potential customer.
5. That the full implications of transferring non-US technology to the US for design or manufacture are fully understood before a decision is taken to source them there.
6. That the criterion for supplier selection gives sufficient weight to their knowledge of and compliance with export controls, to avoid downstream compliance problems.
7. That suppliers are required to certify both the classification in their jurisdiction of the item that they supply to us and that they have any necessary authorisations in place to work with us, including supply to the final end-user.
8. That current suppliers are reminded, on a regular basis, of their legal obligation to provide correct classifications for design-make items.
9. That failure by suppliers to provide information required by law is taken as seriously as failure on cost, quality and delivery.
10. That suppliers must notify Rolls-Royce of a change of name, registered or operating address, legal entity status or ownership (e.g. acquisition by or change of parent company), this information is immediately passed on to the export control team so that any export compliance issues that may arise as a result of the supplier's notification can be managed.