



ROLLS-ROYCE SUSTAINABILITY DATA BASIS OF REPORTING

The purpose of this document is to outline the process for data collection and verification for the sustainability performance data, as published in our Annual Report and online at www.rolls-royce.com/sustainability.

The following criteria apply to all sustainability performance data, unless otherwise stated. Further detail on each data set and target can be found in the appendices.

Organisational boundary

Sustainability performance data is collected from across our global operations. We aim to account for 100% of the data from the following entities:

- Wholly owned operations and subsidiaries
- Majority owned jointly controlled entities and associates, where we have an equity stake of $\geq 51\%$
- Minority owned jointly controlled entities and associates, where we have an equity stake of $\leq 50\%$ and retain management control

Acquisitions – We aim to fully integrate any acquired entities from our data collection, consolidation and reporting processes with the first year following acquisition.

Divestments – For divested entities that are financially classified as “discontinued operations” (divested or held for sale); all current year and historical performance data, including normalised data from the discontinued operation will be excluded from the consolidation process for the reporting year in which the divestment took place.

For any divested entities that are not financially classified as discontinued operations, performance data will be included in current year up to the time of sale completion. In subsequent reporting years all data including historical and normalised data from the divested entity will be excluded from the consolidation process.

Reporting period

The reporting period for our sustainability performance metrics is aligned to our financial reporting period, from 1 January through to 31 December. Data is reported externally on an annual basis.

Where it is not possible to provide complete data within this timeframe than actual data is collected for the period from January to October inclusive. This is then adjusted to the full reporting period through the application of an appropriate adjustment factor of 1.2.

Data verification and assurance

Data is reviewed and verified by the appropriate accountable persons and subject matter experts at point of reporting. Selected sustainability performance data is subject to external assurance, through a limited assurance engagement. A full assurance statement is available at www.rolls-royce.com/sustainability.

Data quality

The aim of our reporting processes is to provide data that is complete, accurate and relevant to our operations. For any data that is subsequently found to be materially in error following reporting or where conversion factors may have changed, then this will be clearly indicated and the data restated for purposes of baselines and trend analysis.

For the purposes of materiality, we aim for each reported performance metric to be within $\pm 5\%$ of the true figure. All reported figures are subsequently reviewed during the next reporting cycle and where this results in a variation that exceeds $\pm 5\%$ of the original will be restated. Where possible we report our performance metrics for a five-year window in order to demonstrate our long-term performance and commitment to continual improvement.

Further details, including Annual reporting statements and Limited Assurance Engagement opinion statements are available at www.rolls-royce.com/sustainability.

Target Summary Table

Data	Target	Definition	Scope and boundary	Units
STEM	Inspire 25 million of tomorrow's pioneers by 2030.	Number of people inspired defined as aware of our contribution or involvement.		Number of people
Energy use	Reduce energy use from our facilities by 50%, normalised by revenue, by 2025.	Normalised by revenue.	Excludes product test and development and power generation.	Megawatt hours per £m revenue
Greenhouse gas emissions	Achieve zero greenhouse gas (GHG) emissions in our operations and facilities by 2030.	Absolute emissions.	Excludes product test and development and power generation, for non-RR facilities. From 2023 onwards, emissions from transport that are owned or operated by the sites were included.	Kilotonnes carbon dioxide equivalent (ktCO ₂ e)
Recycling and recovery	Increase the recycling and recovery rate to 68% by 2025 whilst maintaining zero non-hazardous waste to landfill		Target excludes demolition/ construction waste and disposal of surplus equipment	Percentage
Waste	Reduce total solid and liquid waste in our operations and facilities by 25%, normalised by revenue, by 2025.	Normalised by revenue	Target includes hazardous waste and excludes catering waste, demolition/ construction waste and disposal of surplus equipment.	Tonnes per £m revenue
Safety	Achieve a Total Reportable Injury (TRI) rate 0.42 per 100 employees (2022 Target)	TRI rate defined as fatalities, lost-time injuries, restricted work cases and medical treatment cases.		Incidence rate per 100 employees
Employee Engagement	Ambition to achieve a GrandMean in Gallup's top quartile (75 th percentile) for large manufacturing companies by the end of 2023	'GrandMean' the overall average of all employee's scores for the 12 core Gallup survey questions. Scored between 1 and 5.		GrandMean

STEM Target

Target

Inspire 25 million of tomorrow's pioneers by 2030.

Definitions

"STEM" is defined as Science, Technology, Engineering and Mathematics subjects, or local equivalents.

"Inspire" is defined as people who are involved through interaction with our people, resources or partners, or aware of Rolls-Royce contribution through visibility of our brand in a STEM context.

Baseline

The baseline for reporting is our 2014 performance data.

Scope and boundary

All Rolls-Royce facilities and operations are in scope. Geographic responsibility for reporting lies specifically in Asia Pacific, Germany, North America, Norway and UK.

Units

Data is presented as an overall total of people reached. Supporting data is available by tier, people and geographic location. Data is presented by location due to the governance and delivery structure in place for STEM activities.

Data is measured on tiered basis:

Tier 1: Exposed to Rolls-Royce brand in a STEM context; engagement without active contact, including branded publications or articles and branded events or venues

Tier 2: Actively engaged through our people or resources where we have a simple STEM interaction, which may be in person or electronic/ online.

Tier 3: Actively engaged in a one-off learning activity where we provide an interactive STEM learning opportunity, which may be delivered by either Rolls-Royce or a partner on our behalf.

Tier 4: Actively engaged in a sustained learning activity where we provide interactive STEM learning over a period of time, which may be delivered by either Rolls-Royce or a partner on our behalf.

Collection process

Data is collected using an online reporting tool. Completion is mandatory for all STEM activities as defined by our Global Charitable Contributions and Social Sponsorships policy and procedure.

Data is collected globally, on a live basis, to generate annual figures for presentation in the annual report and on the company website.

Data quality

The data is subject to verification at both a business level (at the point of submission) and annually by the Corporate Community Investment and Education Outreach team on behalf of the Executive Team, via the Group Charitable Contributions and Sponsorships Committee.

Energy Use Target

Target

Reduce energy use from our facilities by 50%, normalised by revenue, by 2025.

Definitions

“Energy use” refers to the amount of energy consumed in kilowatt-hours (kWh) from our facilities and in support of our manufacturing activities.

“From our facilities” refers to Rolls-Royce global operations, excluding product test and development.

Scope and boundary

Excludes energy use associated with product test and development activities.

Baseline

The baseline for reporting is our 2014 performance data.

Units

Energy use data is expressed as a consolidated annual figure. Since 2021 data has been adjusted to reflect the full reporting period through the application of an adjustment factor of 1.2. This factor is reviewed annually to ensure applicability as part of the existing reporting process.

The reported figure is subsequently reviewed during the next reporting cycle and, where this results in a material change, the figure is restated to reflect the actual figure for the whole reporting period. Data is reported to whole numbers or at least 2 significant figures.

Collection process

A web-based HS&E Performance Reporting System is used to collect Energy Use data from each individual site on a monthly basis.

We collect the amount of energy consumed in kilowatt-hours (kWh) for our facilities and in support of our manufacturing activities. This includes grid electricity; electricity supplied by combined heat and power plant (CHP), on-site generated electricity, natural gas, landfill gas, fuel oils, solid fuel, liquefied natural gas (LNG) and liquefied petroleum gas (LPG). It is then expressed both as an absolute figure in megawatt-hours (MWh) and as an intensity in megawatt-hours per million pounds sterling of group revenues* (MWh/£m). The reported figures exclude the energy usage associated with the testing of our products.

This data is collected on a site by site basis for the period from January through to October inclusive. To reflect the financial reporting period from 1 January to 31 December the data is adjusted through the application of an adjustment factor of 1.2. This factor is reviewed annually to ensure applicability as part of the existing reporting process.

We collect all known Scope 1 and 2 emissions owned or controlled by the company. Scope 1 and 2 activities are reviewed annually and updated as required.

Data quality

Businesses are provided with comprehensive company standards and guidance for HS&E performance reporting (which are maintained within our certified Quality and HS&E Management Systems) so as to ensure the consistency and reliability of the data. Such standards are periodically reviewed and refined following the outcomes from internal audit and assurance work.

Data is subject to verification on an annual basis by the Corporate HS&E function. As a part of the corporate verification process, the data is also subject to assurance from Internal Audit which provides a review of the systems, processes and competencies used to gather the data and compile performance reports.

Energy data is subject to external verification via a Limited Assurance Engagement.

GHG Emissions Scope 1 & 2 Target

Target

Achieve zero greenhouse gas (GHG) emissions in our operations and facilities by 2030.

Definitions

“Scope 1 emissions” accounts for direct greenhouse gas emissions from sources that are owned or controlled by the company.

“Scope 2 emissions” accounts for indirect emissions associated with the generation of imported/ purchased electricity, heat or steam.

Scope and boundary

Reported emissions cover Scope 1 and Scope 2 only and includes greenhouse gas emissions from our global operations: including our facilities and manufacturing activities.

Target excludes emissions from product testing and development and from power generation for non-RR facilities. From 2023 onwards, emissions from transport that are owned or operated by the sites were included.

Baseline

The baseline for reporting is our 2014 performance data.

Units

For the purposes of statutory reporting, greenhouse gas emissions are expressed both as an absolute amount in kilotonnes of carbon dioxide equivalent (ktCO₂e) and as an intensity in kilotonnes of carbon dioxide equivalent per million pounds sterling of group revenues (ktCO₂e/£m).

Greenhouse gas emissions are expressed as a consolidated annual figure. Since 2021 data has been adjusted to reflect the full reporting period through the application of an adjustment factor of 1.2. This factor is reviewed annually to ensure applicability as part of the existing reporting process.

Collection process

A web-based HS&E Performance Reporting System is used to collect Greenhouse Gas data from each individual site on a monthly basis.

This data is collected on a site by site basis for the period from January through to October inclusive. To reflect the financial reporting period from 1 January to 31 December the data is adjusted through the application of an adjustment factor of 1.2. This factor is reviewed annually to ensure applicability as part of the existing reporting process.

We collect all known Scope 1 and 2 emissions owned or controlled by the company. Scope 1 and 2 activities are reviewed annually and updated as required. The first stage in the process is to collect the amount of energy consumed in kilowatt-hours (kWh) for our facilities and in support of our manufacturing activities. This includes grid electricity; electricity supplied by combined heat and power plant (CHP), on-site generated electricity, natural gas, landfill gas, fuel oils, solid fuel, liquefied natural gas (LNG) and liquefied petroleum gas (LPG).

The amount of energy consumed for product development and testing is also captured and includes the above energy types, along with aviation fuel and diesel. For power generation we capture the amount of grid electricity and natural gas used during the operation of our commercial gas-fired power stations.

We also capture emissions of greenhouse gases from our processes, for example, hydrofluorocarbons (HFCs) and perfluorocarbons (PFCs). These are collected as actual emissions and are measured in kilogrammes.

The second stage is to convert the amount of energy consumed from kWh to kilogrammes of carbon dioxide equivalent (kgCO₂e) through the application of recognised emission conversion factors. This is undertaken on a site by site basis prior to consolidation. The methodology used during the conversion is outlined in 'The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)' valid as at 31 December 2014. For reporting purposes, the results are subsequently converted to kilotonnes of CO₂e.

The emission conversion factors are taken from the latest version of internationally recognized sources, namely:

- Defra's Greenhouse Gas Conversion Factor Repository
- International Energy Agency's Emission Factors for electricity and heat generation
- U.S. Environmental Protection Agency's Emissions & Generation Resource Integrated Databased (eGRID)
- Government of Canada, Emission Factors and Reference Values
- Greenhouse Gas Protocol Initiative World Resources Institute calculation tool: 'GHG emissions from Purchased Electricity'.

Scope 2 emission conversion factors are primarily taken from the International Energy Agency's factors, with the following exceptions

- US, UK and Canada use respective national inventories
- Energy suppliers have provided relevant market based factors.

Scope 1 emission conversion factors are primarily taken from Defra's GHG conversion factors.

The overarching principle around the selection of the most appropriate conversion factor to use in the calculation is the determination of the most accurate figure for greenhouse gas emissions for the particular location.

Emission conversion factors for a particular year may be updated in subsequent years. In such cases historical figures are recalculated each year using the latest available factors. Where this results in a material change to the reported figure then it will be restated.

Data quality

Businesses are provided with comprehensive company standards and guidance for HS&E performance reporting (which are maintained within our certified Quality and HS&E Management Systems) so as to ensure the consistency and reliability of the data. Such standards are periodically reviewed and refined following the outcomes from internal audit and assurance work.

Data is subject to verification on an annual basis by the Corporate HS&E function. As a part of the corporate verification process, the data is also subject to assurance from Internal Audit which provides a review of the systems, processes and competencies used to gather the data and compile performance reports.

Greenhouse gas emissions data is subject to external verification via a Limited Assurance Engagement.

Total Solid and Liquid Waste Reduction

Target

Reduce total solid and liquid waste in our operations and facilities by 25%, normalised by revenue, by 2025.

Definitions

“Production waste” refers to both solid and liquid waste that is sent off site for disposal, recovery or recycling.

Scope and boundary

Solid and liquid waste that is sent off site for disposal, recovery or recycling. Target includes hazardous waste and excludes catering waste, demolition/construction waste and disposal of surplus equipment.

Baseline

The baseline for reporting is our 2014 performance data.

Units

Data is presented as both an absolute amount in tonnes and also as an intensity in tonnes per million pounds sterling of group revenues (tonnes/£m).

Data is presented as a consolidated annual figure. Since 2021 data has been adjusted to reflect the full reporting period through the application of an adjustment factor of 1.2. This factor is reviewed annually to ensure applicability as part of the existing reporting process.

The reported figure is subsequently reviewed during the next reporting cycle and, where this results in a material change, the figure is restated to reflect the actual figure for the whole reporting period. Data is reported to whole numbers or at least 2 significant figures.

Non-hazardous waste to landfill is also reported as a discrete metric in addition to reporting of total production waste. It is expressed in tonnes and, where appropriate, as a percentage of total solid waste.

Collection process

A web-based HS&E Performance Reporting System is used to collect Greenhouse Gas data from each individual site on a monthly basis.

This data is collected on a site by site basis for the period from January through to October inclusive. To reflect the financial reporting period from 1 January to 31 December the data is adjusted through the application of an adjustment factor of 1.2. This factor is reviewed annually to ensure applicability as part of the existing reporting process.

We collect the amount of waste produced by our operations. Solid waste that is sent for disposal is segregated by the following waste streams: landfill; incineration and incineration with energy recovery, with each stream being split by hazardous and non-hazardous waste. Solid waste sent for recycling is segregated by paper; cardboard; wood; plastic and glass. Metal waste is collected separately and is split by aluminium; ferrous; nickel; titanium and other alloys.

Liquid waste is segregated by the following waste streams: disposal; recovery and recycling with each stream being split by fuels; oils; sludges; solvents and others. This latter category covers the disposal of waste acids and alkalis from our chemical processing facilities. Filter cakes are classified as a solid waste and not liquid waste.

Data quality

Businesses are provided with comprehensive company standards and guidance for HS&E performance reporting (which are maintained within our certified Quality and HS&E Management Systems) so as to ensure the consistency and reliability of the data. Such standards are periodically reviewed and refined following the outcomes from internal audit and assurance work.

Data is subject to verification on an annual basis by the Corporate HS&E function. As a part of the corporate verification process, the data is also subject to assurance from Internal Audit which provides a review of the systems, processes and competencies used to gather the data and compile performance reports.

Recycling & Recovery Target

Target

Increase Recycling and Recovery rate to 68% by 2025 whilst maintaining zero non-hazardous waste to landfill

Baseline

The baseline for reporting is our 2019 performance data.

Scope

All Rolls-Royce wholly owned companies and all non-wholly owned Rolls-Royce companies where Rolls-Royce has management control. In scope wastes are defined in the table below.

In Scope Wastes

Included	Excluded
Solid waste (including metals, food, and green waste)	Construction waste
Liquid waste	One-off disposals
Non-Hazardous waste streams	Liquid wastes disposed to sewer (waste water)
Hazardous waste streams	On-site re-use and recycling within the company
Waste sent off-site for disposal	Any surplus material or equipment classified as a commodity rather than a waste
	Contractor self-produced waste
	Customer waste

Definitions

Hazardous Waste

For the purposes of reporting in Rolls-Royce hazardous waste means wastes defined as hazardous, special or toxic by local legislation and for the target includes radioactive waste.

Construction Waste

For the purposes of reporting in Rolls-Royce construction waste relates to any waste resulting from the construction, renovation or demolition of a building including any waste resulting from the associated groundworks (e.g. removal of roads).

There is a field to capture this data in the Group Reporting Tool if it is considered of value locally, but it does not count towards the company waste targets

One off disposal

These following exceptions are out of scope of the waste targets.

- Surplus industrial plant and equipment, including tooling and fixtures that are reused elsewhere in the company or externally (see the company Management of Surplus Manufacturing Assets process).
- Large size scrap industrial plant and equipment that is considered waste, not mixed in with other wastes and is disposed of/recycled separately
- Waste created by vacating a building or site
- Waste that only arises at a frequency of over 3 years (For example waste from an office refurbishment such as desks and chairs)
- Customer owned equipment/inventory that is stored by Rolls-Royce for a long time (over 3 years) at the request of the customer and then scrapped at the customer's instruction

On-Site Re-Use/Recycling

Waste is retained on the site where generated for re-use (e.g. boxes, packaging, and pallets) and/or recycling (on site coolant reconditioning)

Surplus material or equipment classified as a commodity

An item which is still functional where the intent is for the resources to be re-used within the business including; surplus materials, chemicals, assets and equipment

Customer Waste

For the purposes of reporting waste data within Rolls-Royce the following wastes are considered customer wastes and should not be reported into the Group Reporting Tool and are out of scope of the waste targets.

- Waste from servicing customers products at the customer's site and that is disposed of from the customer's site.
- Scrapping of inventory/equipment belonging to the customer following long term storage by Rolls-Royce at the request of the customer.

Waste Disposal Route

In most cases the disposal route for a waste type can be determined simply from the transfer to its first destination (e.g. a landfill site, an incinerator, a recycling facility).

However, for some wastes the first destination may be an intermediate treatment by a third party, such as consolidating the waste with other wastes, before moving onto a disposal route. In these circumstances the intended onward disposal route should be confirmed. If more than one disposal

route is possible in this situation then the most frequent route or route that the largest proportion of the consolidated waste takes should be taken as the disposal route. This is important to consider in order that we can as far as reasonably possible correctly report the final fate of our wastes.

For the purposes of reporting waste data within Rolls-Royce applicable waste disposal routes for are:

Waste Reporting Category	Definition	Examples	Included in Recycled/Recovered waste?
Sent to landfill	Permanent disposal or storage of waste in or on the ground at a permitted site, which includes use of waste to construct the landfill	1) Waste used to fill in or store waste in old mines or excavation cavities (e.g. old oil wells) 2) Waste sent to municipal waste landfills 3) Waste sent to Hazardous landfills	No
Sent to incineration (without energy recovery)	Waste burned at a permitted incineration facility where energy is not recovered as part of the process.	1) Medical and hygiene waste sent for disposal	No
Sent to incineration with energy recovery	Waste burned at a permitted incineration facility whereby energy is generated.	1) Generation of electricity from combustion of waste which is supplied into the local electricity network	No
Sent for treatment	Waste is treated off site chemically, physically or biologically which results in eliminating the hazardous nature of the waste for discharge to the environment.	1) Off-site neutralisation of liquid waste via effluent treatment plant processing.	No

		<p>It excludes intermediate processes which do not describe the final fate of the waste.</p> <p>These include: (a) Reducing the wastes volume (b) Facilitating its handling (c) Enhancing its recovery</p> <p>Note - This category applies primarily to liquid wastes</p>			
	Sent for recovery	Resource recovery is the process of recovering materials which cannot be recycled from solid or liquid waste for beneficial re-use	(1) Extracting useful metals from filter cakes and batteries (2) Composting food waste for use as a soil conditioner (3) Blending of coolant or solvent to achieve a specific industrial standard (4) Grinding and blasting media recovered and used for anti-slip paint or a slag reconditioning agent	Yes	

Sent for recycling	Waste which is reprocessed into products, materials or substances whether for the original or other useful purpose.	1) Aluminum cans melted to create new aluminum cans or products	Yes
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Solid Waste Categories

For the purposes of reporting waste data within Rolls-Royce we capture data against the following solid waste categories:

Absorbents	Filters	Metals - Nickel Alloys
Aerosols	Food	Metals - Titanium Alloys
Alkali/Bases	Foundry Sand	Not Categorised Hazardous Waste
Batteries	Glass	Not Categorised Non-Hazardous Waste
Blasting Media	Green (Gardening) waste	Oil Contaminated Solids
Carbon Fibre Composites	Grinding waste	Paper - Confidential
Cardboard	Metal Containers	Paper - Non-Confidential
Ceramic	Metals - Aluminium and Magnesium Alloys	Plastic
Construction / Demolition	Metals - Copper Alloys including Bronze	Plastic Container
Electronic and Electrical Equipment	Metals - Ferrous and Ferrous Alloys	Wax
Filter Cake	Metals - Mixed / Other	Wood

Liquid Waste Categories

For the purposes of reporting waste data within Rolls-Royce we capture data against the following liquid waste categories:

Acids	Not Categorised Hazardous Waste	Sludges (not filter cake)
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Alkalies/Bases	Not Categorised Non-Hazardous Waste	Solvents
Fuels	Oils	Water Based Metal Working Fluids
Contaminated Water	Paint	

Zero Waste to Landfill

Zero waste to landfill excludes hazardous and radioactive waste and any wastes where local legislation requires disposal to landfill. Up to <3% exemption threshold allowed for total global non-hazardous wastes unable to avoid landfill due to infrastructure, contractual, or technology limitations. Each exemption is to be evaluated on a case-by-case basis and approved or rejected by the zero waste to landfill governance panel.

Additional scope

Calculations/Units:

Recycling/Recovery Rate

$$\frac{\text{Weight of in scope waste sent for Recycling/Recovery}}{\text{Total weight of in scope waste}} \times 100$$

Collection process

A web-based HS&E Performance Reporting System is used to collect waste data from each individual site on a monthly basis.

This data is collected on a site by site basis for the period from January through to October inclusive. To reflect the financial reporting period from 1 January to 31 December the data is adjusted through the application of an adjustment factor of 1.2. This factor is reviewed annually to ensure applicability as part of the existing reporting process.

Data quality

Businesses are provided with comprehensive company standards and guidance for HS&E performance reporting (which are maintained within our certified Quality and HS&E Management Systems) so as to ensure the consistency and reliability of the data. Such standards are periodically reviewed and refined following the outcomes from internal audit and assurance work.

Data is subject to verification on an annual basis by the Corporate HS&E function. As a part of the corporate verification process, the data is also subject to assurance from Internal Audit which provides a review of the systems, processes and competencies used to gather the data and compile performance reports.

Safety Target

Target

Achieve a Total Reportable Injury (TRI) rate 0.42 per 100 employees (2022 Target)

Definitions

“Total reportable injuries” defined as fatalities, lost-time injuries, restricted work cases and medical treatment cases (including any loss of consciousness)

“Lost-time injuries” defined as work-related injuries, including those occurring away from our premises whilst on business assignment, resulting in absence of at least one complete working day/shift, not including any home to work commuting incidents. Lost time injuries do not include Restricted Work Injury cases.

“Occupational disease” defined as a disease with a specific diagnostic criteria related to occupation, for example Hand-Arm Vibration Syndrome (HAVS).

“Work related ill health” defined as a medical condition which on the balance of probabilities is primarily caused by work, for example stress.

Baseline

The baseline for reporting is our 2014 performance data.

Scope and boundary

Employees include both those that are permanent Rolls-Royce employees and also those that are on fixed term contracts. This excludes temporary workers and contractors. All calculations are based on headcount basis.

Occupational illness incidence rate includes new cases of occupational disease and work-related ill health that are diagnosed within the reporting period.

Units

Total reportable injury rate is expressed as an incidence rate per 100 employees:

$$\text{Lost-time injury rate} = \frac{\text{Number of lost-time injuries}}{\text{Average number of company employees over the reporting year}} \times 100$$

$$\text{Total reportable injury rate} = \frac{\text{Number of total reportable injuries}}{\text{Average number of company employees over the reporting year}} \times 100$$

Occupational illness incidence rate is expressed as an incidence rate per 100 employees:

Incidence rate = $\frac{\text{Total number of new cases of occupational disease + work related ill-health}}{\text{Average number of company employees over the reporting year}} \times 100$

Data is reported to whole numbers or at least two significant figures.

Collection process

Incident are reported via the HSE Management Information System (HSE MIS) and categorised by the local HSE team. All TRI relevant incidents are reviewed at a weekly HSE Data Assurance Meeting.

Incident data is reported in line with the financial periods. Where it is not possible to provide complete data with the usual financial reporting period from 1 January to 31 December then actual data is collected for the period from January to October inclusive. This data is then adjusted to the full reporting period through the application of an appropriate adjustment factor.

Data quality

Businesses are provided with comprehensive company standards and guidance for HSE performance reporting (which are maintained within our certified Quality and HSE Management Systems) so as to ensure the consistency and reliability of the data. Such standards are periodically reviewed and refined following the outcomes from internal audit and assurance work.

Data is subject to verification on an annual basis by the HSE function. As a part of the corporate verification process, the data is also subject to assurance from Internal Audit which provides a review of the systems, processes and competencies used to gather the data and compile performance reports.

Total reportable injury rate data is subject to external verification via a Limited Assurance Engagement.

Employee Engagement Target

Ambition

Ambition to achieve a GrandMean in Gallup's top quartile (75th percentile) for large manufacturing companies by the end of 2023.

Definitions

'Gallup' is the analytics and advisory company which conducts the employee engagement survey on the behalf of Rolls-Royce.

'GrandMean' the overall average of all employee's scores for the 12 core Gallup survey questions. Scored between 1 and 5.

'Q¹² or Q12' is the 12 core Gallup survey questions.

Baseline

The baseline for reporting is November 2019 aligning to the first Group-wide Gallup Q12 survey.

Scope and boundary:

Businesses are included in the scope: Civil Aerospace, Defence, Power Systems and the central business areas. Excluded business units: those divested or nearing divestment including ITP Aero and Bergen in 2020.

Excluded employees: those not employed directly by Rolls-Royce (e.g. employed by 3rd parties, joint ventures, sub-contractors)

Units:

GrandMean data is presented as a single average figure (to 2 decimal places) between 1.00 and 5.00, where 1 is the lowest score and 5 is the highest. This is mapped to a percentile within Gallup's "Large Manufacturing Company" database between 1 and 100, where 1 represents the lowest scoring companies in the database and 100 represents the highest.

Collection Process

- a. Each year Gallup is instructed to survey in-scope population using the same 12 questions
- b. Additional questions are sometimes included, but these do not form part of the GrandMean score and are asked for information only
- c. The questions are all assessed on a 5-point scale based on how much the employee agrees with the statement (1-Strongly Disagree to 5-Strongly Agree)
- d. Gallup aggregate all employee responses to provide an overall average score, the Company GrandMean
- e. Gallup compare this score to the GrandMeans of other companies they work with and provide us with a comparison.

Data Quality

Gallup retain the raw data and provide Rolls-Royce with reporting access to it, therefore none of the data is handled by Rolls-Royce employees. Gallup have internal assurance protocols to undertake prior to the survey results being released.

Employee engagement score data is subject to external verification via a Limited Assurance Engagement.