

UK Gender Pay Report 2019

Rolls-Royce Holdings plc



We are committed to creating an environment where every employee can reach their full potential, by encouraging diversity, wellbeing and development. We continue to incorporate diversity and inclusion in everything we do. Diversity is crucial to achieving a high performance culture and is a key enabler of innovation.

In 2018 we embarked on a fundamental restructuring programme to increase the focus of the Group, simplify our corporate structure, and introduce a new job evaluation system for our management population globally.

During 2019 we moved to our new job evaluation levels. As part of this, we completed an audit to ensure salaries are aligned appropriately to the new structure, and made adjustments where appropriate.

The full impact of these actions will be shown in our 2020 report.

We do not have an equal pay issue between the genders on a job-by-job basis. We have seen an increase in the bonus gap in 2019. This is explained primarily by our Long Term Incentive Plan (LTIP), which vested for the first time since Gender Pay Reporting Requirements. We have a 3 year vesting period, so the women receiving these awards reflects those employed in senior roles three years ago. We have made progress in increasing the representation of women eligible for such awards, moving from 11.9% in 2016 to 17.5% in 2019, so we expect this gap to decrease in future.

Pay difference between women and men: All our Rolls-Royce employees in the UK

at 5 April 2019

Our Gender Pay Gap

	2019	2018
Median Gender Pay Gap across all Rolls-Royce employees in the UK	8.4%	8.1%
Mean Gender Pay Gap across all Rolls-Royce employees in the UK	7.1%	6.6%
UK's National Gender Pay Gap <small>Source: Office of National Statistics 2018</small>	17.3%	17.9%

The above snapshot shows the difference between the average hourly pay levels of all women compared to all men, irrespective of their role or level in the organization. This is expressed as a percentage of men's average pay. The median average pay of all our women in the UK is 8.4% lower than all our men. For comparison the UK's national gender pay gap is 17.3%. The hourly pay figure includes all items specified in the regulations, such as allowances and shift pay.

The "gender pay gap" is an average figure and is distinct from "Equal pay", which looks at the individual level and is about ensuring that men and women are paid the same for carrying out the same work, or work of equal value. The evaluation of our gender pay data indicates that the difference in average pay is due to proportionately more men in higher level, higher paid roles. When we look at the salaries between men and women in equivalent roles, we do not have any equal pay issues.

We have a variety of mechanisms to ensure consistency in reward between men and women in equivalent roles or doing the same work. These include spot rates in our manufacturing sites and a structured approach to job sizing and pay determination in other areas of the business.

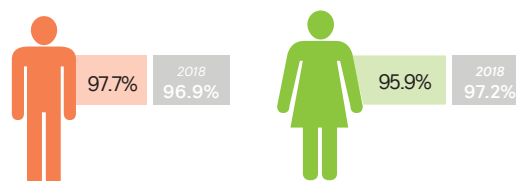
Bonus difference between women and men

in 12 months preceding 5 April 2019

Bonus	Mean	Median
2019	13.7%	15.3%
2018	9.5%	10.1%

Proportion of all UK employees receiving a bonus

in 12 months preceding 5 April 2019

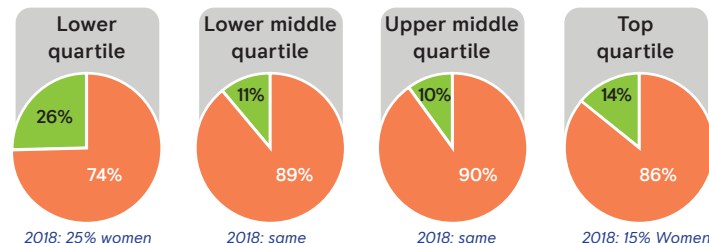


The Rolls-Royce UK bonus programme applies to all levels of employees, which accounts for our high percentages of inclusion. In 2019 changes are due to the timing of new employees joining the business, and one manufacturing site not achieving its bonus targets which had a negative impact.

Pay quartiles across UK employees

at 5 April 2019

Gender distribution across Rolls-Royce in the UK in four equally sized hourly pay quartiles



Overall, women currently represent 15% of our UK employees. Women are currently less well represented than this figure in the middle two quartiles due to proportionately more men being in middle / senior level roles.

Increasing the number of women in our business and moving towards an equal distribution of men and women across all levels is a priority for us. We are making progress on this in many ways, such as significantly increasing the proportion of women in our apprentice and graduate intakes and the proportion of women in management and senior management levels is higher than our UK average.

Increasing our focus on diversity and inclusion

At April 2019, our total female workforce in the UK stood at 15%, the same as 2018. We have proportionately more females than males employed in less well paid roles, which is partly a consequence of our success in achieving increased diversity in our early career apprenticeships and graduate recruitment in recent years. We are making progress towards our 2020 diversity targets, actively recruiting from groups typically under represented in our sector, particularly women.

- 17% women in our organisation
- 25% women in our senior management population
- 30% women in our graduate population
- 30% women in our High Potential population

In 2019 we have refreshed our D&I strategy and sought to accelerate its implementation. Our strategy focuses on four main areas: leadership and governance, attraction & recruitment, retention and development. We are taking deliberate actions to increase representation of women at all levels and create an inclusive environment. Promoting flexible working, integrating

diversity into our talent reviews and providing a structured mentorship programme, Next Generation Women, are examples of significant actions we are taking.

Diversity is a significant challenge for the engineering sector as a whole. Through our community investment and education outreach programmes we aim to engage young people from diverse backgrounds in STEM subjects at an early age to increase our pipeline.

We continue to work with organisations such as the Financial Times and Women in Aviation and Aerospace Charter. We support initiatives driven by these organisations and others, and sponsor awards such as Female Undergraduate of the Year to celebrate success and showcase role models in the engineering sector. Our global diversity and inclusion and anti-discrimination policies ensure that all employees, regardless of gender, race, religion, physical ability or any other characteristic, are treated with dignity and respect, and feel safe and empowered to work without fear of bullying and harassment.

We remain determined to increase our diversity and working together to create a company where every person can be themselves and be at their best.

UK Gender Pay Report 2019

Rolls-Royce Holdings plc



Across our legal entities

The regulations ask for data on employing legal entities in the UK which have more than 250 employees. Rolls-Royce Holdings plc has four such entities. To compare the data to last year's, please see the 2018 UK Gender Report.

Rolls-Royce plc

Rolls-Royce plc has 19,438 employees, 15% are women.

Pay and bonus difference between women and men

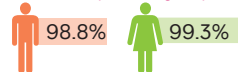
at 5 April 2019

	Mean	Median
Hourly Pay	5.7%	7.0%
Bonus	11.3%	13.3%

This chart, and those of the other legal entities below, show the percentage by which women's average hourly pay and bonus pay is lower compared to men.

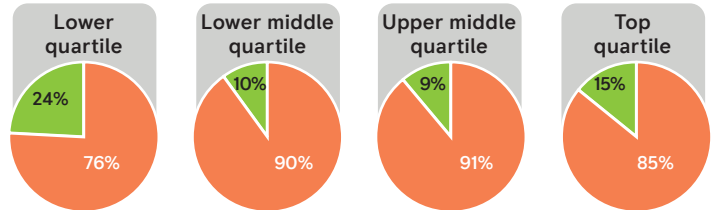
Proportion of employees receiving a bonus

in 12 months preceding 5 April 2019



Pay quartiles across the legal entity's employees

at 5 April 2019



Rolls-Royce Submarines Ltd

Rolls-Royce Submarines Ltd has 2,874 employees, 16% are women.

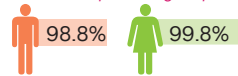
Pay and bonus difference between women and men

at 5 April 2019

	Mean	Median
Hourly Pay	7.2%	8.0%
Bonus	24.6%	12.8%

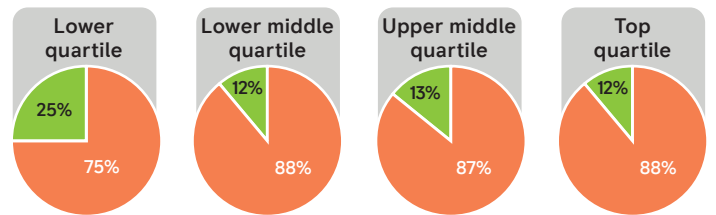
Proportion of employees receiving a bonus

in 12 months preceding 5 April 2019



Pay quartiles across the legal entity's employees

at 5 April 2019



Rolls-Royce Power Engineering plc

Rolls-Royce Power Engineering has 273 employees, 18% are women.

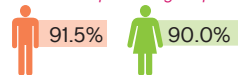
Pay and bonus difference between women and men

at 5 April 2019

	Mean	Median
Hourly Pay	7.8%	8.8%
Bonus	46.4%	21.1%

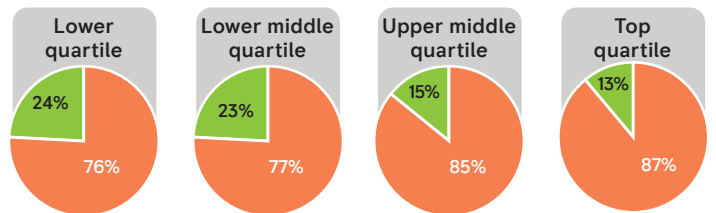
Proportion of employees receiving a bonus

in 12 months preceding 5 April 2019



Pay quartiles across the legal entity's employees

at 5 April 2019



Ross Ceramics Limited

Ross Ceramics has 260 employees, 45% are women.

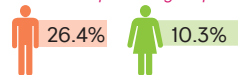
Pay and bonus difference between women and men

at 5 April 2019

	Mean	Median
Hourly Pay	9.1%	6.8%
Bonus	7.2%	11.0%

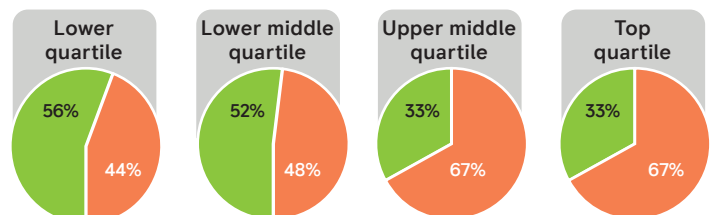
Proportion of employees receiving a bonus

in 12 months preceding 5 April 2019



Pay quartiles across the legal entity's employees

at 5 April 2019



We confirm the data reported is accurate

Warren East

For Rolls-Royce Holdings plc
Warren East
CEO

Steven Dearden

For Rolls-Royce Submarines Ltd
Steven Dearden
President Submarines - Defence

Robert Fletcher

For Rolls-Royce Power Engineering plc
Robert Fletcher
President - Civil Nuclear

Daniel Parrott

For Ross Ceramics Ltd
Daniel Parrott
Manufacturing Executive - Casting & Cores