

UK Gender Pay Report 2021

Rolls-Royce Holdings plc



The impact of COVID-19 on Rolls-Royce has been stark and has driven decisive and transformative action to fundamentally restructure our operations, materially reduce our cost base, and improve our financial position. At the same time we made changes to pay and benefits to significantly reduce employee costs – this included no pay increase in 2020; no group level bonus; a pay reduction for the Executive Team; and a pay deferral for all employees. During this difficult time it was critical that we maintained our focus on wellbeing, diversity and inclusivity, as these are crucial to enabling innovation and retaining diverse talent.

Despite our hiring numbers in 2020 being far smaller than originally anticipated, we maintained our focus on the diversity of external hires and increased the number of female hires globally from 18% in 2019 to

19% in 2020. This, in addition to the fact that we lost proportionally fewer women than men through the restructuring programme means that we have increased the proportion of women to 16.6% (was 15.7% in 2019). We have a long way to go to hit our 2025 diversity targets, but are pleased that the continued focus on this area in 2020 has led to progress being made despite it being such a challenging year.

Our gender pay gap is largely unchanged from 2019, and we do not have an equal pay issue between genders on a job-by-job basis. Going forwards we need to continue to focus on diverse hires – both externally and internally. As more of our early careers pipeline exit the schemes into substantive roles we should see a higher proportion of women in the two middle pay quartiles, which will help to further close the gender pay gap.

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

at 5 April 2021

Our Gender Pay Gap

	2021	2020
Median Gender Pay Gap across all Rolls-Royce employees in the UK	4.8%	5.0%
Mean Gender Pay Gap across all Rolls-Royce employees in the UK	3.2%	3.0%
UK's National Gender Pay Gap <i>Source: Office for National Statistics 2021</i>	15.4%	14.9%

The above snapshot shows the difference between the average (mean and median) 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 4.8% lower than all our men whilst the mean average pay is 3.2% lower for women compared to men. For comparison the UK's national median gender pay gap in 2021 was 15.4%. 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. 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.

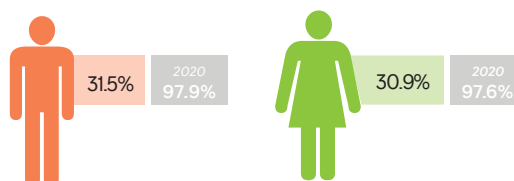
Bonus difference between women and men

in 12 months preceding 5 April 2021

Bonus	Mean	Median
2021	21.1%	16.1%
2020	1.2%	6.0%

Proportion of all UK employees receiving a bonus

in 12 months preceding 5 April 2021



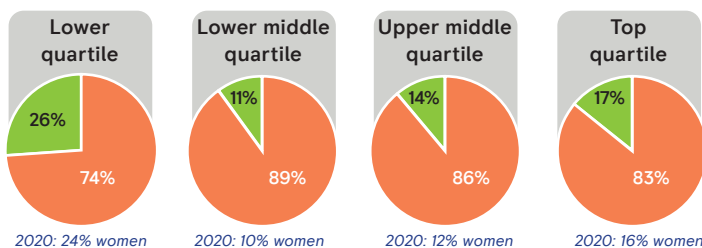
In absolute terms, the bonus payments made for 2020 were very low. The dramatic impact of COVID-19 on the Rolls-Royce Group in 2020 meant that performance targets (set pre-COVID) were not met at a Group level or for the vast majority of our sub-units. The Defence business is the only sub-unit that achieved its targets which triggered an element of bonus for this population. The higher bonus gap in 2020 is due to our Defence Business having proportionately more men than women in senior roles, which attract higher bonuses.

Pay quartiles across UK employees

at 5 April 2021

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

Approx. 4551 employees



Overall, women currently represent 16.6% of our UK employees. Women are currently less well represented than this figure in the middle two quartiles due to proportionally more men being in professional level roles which are dominated by Engineering, and also the shop floor population which attract a premium for working shifts.

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 continuing to focus on female hires at all levels in the organization, and in 2020 achieved a hiring ratio of 50% females in our Enterprise Leadership Group (ELG).

Increasing our focus on diversity and inclusion

At April 2021, our total female workforce in the UK stood at 16.6% an increase from 15.7% in 2020. We have proportionally more women than men employed in less well-paid roles, which is partly a consequence of our recent success in achieving increased diversity in our early career apprenticeships and graduate recruitment activities. We have launched the target of having 25% of our global workforce being women by 2025, and we are at 17.1% as of April 2021 (compared to 16.7% in April 2020). We continue to pursue diverse and underrepresented talent, including women, and we are starting to see the benefits of that. Globally, we had

- 22% women in our enterprise leadership population
- 27% women in our graduate population
- 28% women in our High Potential population

We continue to embed our refreshed D&I strategy and to accelerate its implementation. Our strategy focuses on four main areas: leadership and governance; attraction and recruitment; engagement and retention; and

development. We continue to increase representation of women at all levels to create an inclusive environment, and we have adopted more flexible working as a result of the COVID-19 pandemic, which we know has disproportionately affected women.

Our structured mentorship programme, Next Generation Women has been expanded and launched across all of our business areas so that more women can benefit from it. We continue to work with organisations such as the Financial Times, Women in Science and Engineering, and Women in Aviation and Aerospace Charter, supporting initiatives driven by these organisations and others, and we continue to sponsor the prestigious Female Undergraduate of the Year award to celebrate success and showcase female role models in the engineering sector. We also continue to invest in community and education outreach programmes to engage young people from diverse backgrounds in STEM subjects at an early age to increase our talent pipeline.

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

UK Gender Pay Report 2021

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 two such entities. To compare the data to last year's, please see the 2020 UK Gender Report.

Rolls-Royce plc

Rolls-Royce plc has 15,749 employees, 16.1% are women.

Pay and bonus difference between women and men

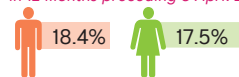
at 5 April 2021

	Mean	Median
Hourly Pay	0.7%	2.6%
Bonus	18.9%	24.1%

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.

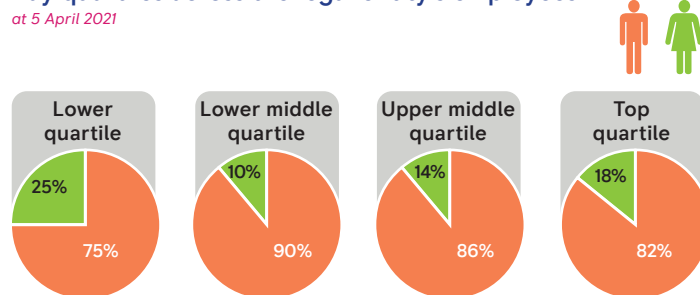
Proportion of employees receiving a bonus

in 12 months preceding 5 April 2021



Pay quartiles across the legal entity's employees

at 5 April 2021



Rolls-Royce Submarines Ltd

Rolls-Royce Submarines Ltd has 3,163 employees, 17.5% are women.

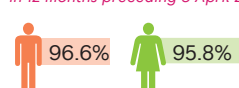
Pay and bonus difference between women and men

at 5 April 2021

	Mean	Median
Hourly Pay	5.9%	5.6%
Bonus	17.8%	9.2%

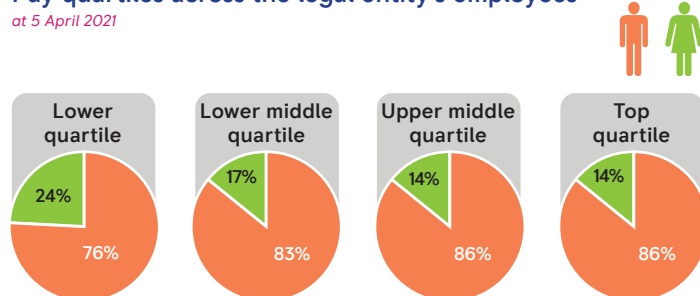
Proportion of employees receiving a bonus

in 12 months preceding 5 April 2021



Pay quartiles across the legal entity's employees

at 5 April 2021



We confirm the data reported is accurate

For Rolls-Royce Holdings plc
Warren East
CEO

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