

# OUR PEOPLE

## The engagement of our people is essential to the success of our strategy.

In 2014 we launched the **Trusted to Deliver Excellence Awards**. Over 500 submissions were received, each of which demonstrates the talent, innovation, commitment and ambition of Rolls-Royce men and women.

The achievements of all the entries that resulted in the final award winners showcased here, prove what's possible when we put ourselves in customers' shoes.

*image: our advanced new unified bridge design for an offshore support vessel.*

### CELEBRATING SUCCESS: AWARD WINNERS' STORIES

#### SIMPLE TOUCH SCREEN TO HELP MARINE CUSTOMERS

MARINE  
ÅLESUND, NORWAY

On the bridge of a marine customer's ship, the team from Ålesund saw the array of different panels, uncoordinated operating systems and audible alerts that face our customers every day. They saw first-hand what could be a source of frustration, fatigue and a trigger for human error. The team redesigned an overlay to the operating system. This coordinated, both functionally and visually, the range of essential controls via a simplified touch screen to provide a unified bridge design.

#### 100% RIGHT-FIRST-TIME DISC PRODUCTION

SUPPLY CHAIN  
WASHINGTON, UK

The £100 million investment in the High-Performance Disc Manufacturing facility in Washington set the record for the fastest new Rolls-Royce facility build in the Group's history. A combination of state-of-the-art equipment, training and up-skilling programmes has established a culture of continuous improvement. This has resulted in 100% right-first-time production and it means that the discs, which are integral to gas turbine engines, can be delivered in half the time.

The delighted right-first-time team from Washington, UK.



## CHALLENGING CONVENTIONAL THINKING

ENGINEERING AND TECHNOLOGY  
UK AND GERMANY

The engineering and technology team discovered that by challenging traditional thinking about how air flows through a compressor, they could measurably improve fuel efficiency. They started with numerical flow simulations and then worked with teams across the globe to decrease air leakage and improve performance. For our customers, the result means less energy lost and improved long-term fuel efficiency for their engines. The technology has already been deployed in the Trent XWB engine and will be followed by testing on Boeing 787 and A350-1000 aircraft.

## STANDING IN OUR CUSTOMERS' SHOES

CIVIL SMALL & MEDIUM ENGINES  
MONTREAL, CANADA

Every quarter, the Montreal team rolls out a red carpet on the factory floor. Employees from across the business stand up in front of their colleagues, role-playing the customers' view of what we deliver to them. Employees audition to tell the stories behind the order forms and engine part serial numbers. Others volunteer to follow customers' orders through the manufacturing process – from order to shipment. This innovative approach is spurring new highs in employee engagement, creating a deeper understanding of what our customers need and has increased customer satisfaction by almost 10%.

The winners from Montreal get the red carpet treatment themselves as they pick up their award.



## IMPROVED TURBINE BLADE QUALITY AT LESS COST

SUPPLY CHAIN  
ROTHERHAM, UK

A new standard has been achieved in the high-performance turbine blade industry at the Advanced Blade Casting Facility in Rotherham. Lead times and scrap rates are on-track to be halved. The team integrated, sharpened and automated critical stages in the manufacturing process and, in so doing, improved the production precision of our complex single crystal turbine blades. For our customers, it means a perfect blade delivered more efficiently, more quickly and at a dramatically reduced production cost.

## MONITORING THRUSTERS AT SEA TO PLAN MAINTENANCE

ENGINEERING AND TECHNOLOGY  
UK AND FINLAND

Azimuth thrusters give marine and offshore vessels superior manoeuvrability. Our ability to assess the health of these thrusters at sea saves our customers time and money by preventing unscheduled and unnecessary maintenance. Until now, technology hasn't been able to monitor thrusters in small and medium-sized ships – which represent 80% of the marine market.

Working in collaboration, our Strategic Research Centre, Marine Services Azimuth Thruster team and the University of Sheffield's Technology Centre came up with the Thruster Wireless Link. The new technology enables us to read the vital signs of all our operating thrusters on all sizes of vessels and platforms. It also opens a new, lucrative market for our services. For customers, it means the ability to plan maintenance three to six months ahead of time and avoid costly propulsion failures at sea.



## SAVING CUSTOMERS MONTHS OF TIME IN COMMISSIONING

NUCLEAR  
DERBY, UK

The UK team that supports the build of the Astute class of nuclear submarines has cut the time and cost of delivery dramatically. The complex pipework and valve systems require a flushing process that used to take a total of 190 days to complete. Following on-site visits, our team saw the opportunity to collaborate with our partners to redesign the process. The initial time required for most flush paths was reduced from 60 hours to just one. This will save the customer four months of commissioning time per submarine. It means delivery of the same high-quality submarines quicker and at a lower cost to the UK Government, one of our most important customers.



 We need to work with people who make the whole production process smarter and more cost effective. People like these award winners.”

Nicole Piasecki, VP and General Manager, Propulsion Systems Division of Boeing Commercial Airplanes, presented the awards to the winners.

# SUSTAINABILITY

Our strategy focuses on customer, innovation and profitable growth to ensure a sustainable business.

## OUR APPROACH

Sustainability is inherent to our strategy. For Rolls-Royce that means driving profitable growth whilst achieving a positive economic, social and environmental impact.

### BETTER POWER

#### HELPING OUR CUSTOMERS DO MORE, USING LESS

We use our engineering expertise to develop and deliver integrated power systems for our customers, helping them to do more using less. Our commitment is to continuously improve the environmental performance of our products and services.

#### IMPROVING ENVIRONMENTAL PERFORMANCE

Our environmental strategy reflects the main focus of our investment and effort, concentrating on three areas: supporting our customers by further reducing the environmental impact of our products and services; developing new technology for future low-emission products; and maintaining our drive to reduce the environmental impact of our business activities.

#### PRODUCT SAFETY

Our products are often deployed in mission critical environments. We are committed to delivering products and services that achieve the highest standards of product safety. We have a consistent approach to safety across the Group and systematically pursue proactive opportunities for improvement. More details can be found in the Safety and Ethics Committee report on page 66.

### BETTER FUTURE

#### COMMITTED TO INNOVATION, POWERING BETTER, CLEANER ECONOMIC GROWTH

This year, we invested over £1.2 billion in gross R&D. As a result of engineering expertise and our strong tradition of innovation, many of our products are currently market-leaders in terms of environmental performance. Innovation is embedded in all our products and services and is key to our competitive edge.

#### OUR PEOPLE

The Group employed a total of 54,100\* people in 2014. We know that our future depends on the skills, knowledge and passion of all of our people and work to create an environment where all employees can reach their full potential.

We encourage diversity, engagement and development. We give full and fair consideration to all employment applications from people with disabilities, and support disabled employees helping them to make the best use of their skills and potential.

A diverse workforce will help ensure our continued success as a global business and contribute towards a better future. More information on our approach to diversity and gender distribution can be found in the Nominations and Governance Committee report, on page 65.

Average number of employees by region*	2013	2014
UK	24,800	<b>24,500</b>
USA	8,500	<b>7,900</b>
Canada	1,600	<b>1,500</b>
Germany	10,500	<b>10,500</b>
Nordics	4,100	<b>4,000</b>
Rest of world	5,700	<b>5,700</b>
Average number of employees by business unit*		
Civil aerospace	23,400	<b>23,900</b>
Defence aerospace	7,900	<b>7,000</b>
Marine	6,900	<b>6,400</b>
Power Systems	10,700	<b>10,700</b>
Nuclear	3,900	<b>3,900</b>
Energy	2,400	<b>2,200</b>
<b>Total*</b>	<b>55,200</b>	<b>54,100</b>

\*Headcount data is calculated in terms of average full time employees (FTEs) for 2014. Therefore, this includes FTEs associated with our Energy gas turbines and compressor business disposed of in December 2014. The transfer of this business unit has had minimal impact on the average headcount numbers for the year. Marine and Nuclear data for 2013 has been restated to reflect the transfer of our Submarines business from Marine to Nuclear.

#### EMPLOYEE INVOLVEMENT

We use a variety of channels to communicate with our employees, including face-to-face and online communications. We encourage collaboration, employee suggestions and feedback through these systems. In addition we have mechanisms in place for employees to be able to raise concerns both formally and anonymously, including through the Rolls-Royce Ethics Line.

We have established frameworks for managing employee, trade union and representative participation, including formal information and consultations. Our incentive schemes and all-employee share plans enable every employee to have the opportunity to share in our success.

#### EARLY CAREER DEVELOPMENT PROGRAMMES

We continue to attract large numbers of high quality graduates and apprentices, and have well-established early career programmes in 11 countries worldwide.

In 2014, we introduced non-engineering graduate and apprenticeship programmes in Germany. We continue to focus on expanding

our offerings beyond the UK, particularly in India and Germany.

We have won a number of awards this year, including TargetJobs Winner of 'The most popular graduate recruiter – engineering, design and manufacture' in the UK, for the fifth year running.

#### HUMAN RIGHTS

Our human rights approach is aligned with our Global Code of Conduct. It draws together relevant internal controls that oversee the range of issues encompassed by human rights. Our policy sets out our commitment to respect the human rights of our employees through core labour standards. This covers employee involvement, diversity and equality, pay and benefits, working hours, forced labour and child labour.

We comply with the local laws of the countries where we operate. In the event that our Human Rights policy imposes higher requirements than local law, we adhere to that higher requirement. We set equivalent standards for our supply chain through our Global Supplier Code of Conduct. This is part of our broader aim to align the standards of our suppliers to those of the Group.

#### EMPLOYEE WELLBEING

We work to enhance the personal wellbeing of our people to help them reach their full potential. We are committed to empowering and enabling employees to lead a healthy lifestyle at work.

We launched new wellbeing initiatives across our global locations this year. These include physiotherapy and employee assistance programmes in the UK, employee sports days in China and Germany, and a Wellbeing Month across our US facilities. Over 4,000 employees worldwide participated in the Global Corporate Challenge, amassing a combined total of over five billion steps.

#### COMMUNITIES

Our community investment and education outreach programmes support our Group strategy. We recognise that talented engineers are the key to our future and work actively to increase interest and encourage

diversity amongst those taking science, technology, engineering and mathematics (STEM) subjects.

#### GLOBAL PARTNERSHIPS

We engage in dialogue and partnerships with governments and industry bodies aligned to our business needs. This year we have worked with the UK Government on the implementation of the Aerospace Growth Partnership. In the EU, we have focused on preventing unintended consequences of the inclusion of aviation in the European Union Emissions Trading Scheme. In North America, we continue to engage with a range of political stakeholders on issues including defence appropriations, aviation policy, Federal Aviation Administration approval of our products, and trade proposals.

Our joint venture in India has now reached full production and exports to our other locations around the world. Through our subcontractors TCS and Quest we have over 1,000 engineers serving the Group's needs globally. In China we are present in more than 30 locations including joint ventures. Our manufacturing and services centres in Singapore are the heart of a multi-business and multi-function regional hub, where our first major Customer Service Centre opened in early 2015.

## BETTER BUSINESS

### INVESTING IN TECHNOLOGY, PEOPLE AND IDEAS TO IMPROVE ALL ASPECTS OF OUR PERFORMANCE AND TO DRIVE PROFITABLE GROWTH

#### ETHICS

High ethical standards, supported by good governance, are fundamental to how we run our business. We have a strong focus on ethics that helps ensure we win right every time. This year our Global Code of Conduct has been ranked by the Red Flag Group as third among those within the FTSE 100 companies that were assessed.

Rolls-Royce does not make any corporate contributions or donations to political parties or causes, as outlined in our Global Code of Conduct.

More information on our approach to ethics can be found in the Safety and Ethics Committee report on page 68.

#### HEALTH, SAFETY AND ENVIRONMENT

We regard the health and safety of our employees at work as paramount. It is therefore with particular regret that we report the death of four employees in a single drowning incident which occurred in 2014. This tragic incident took place outside work whilst deployed at a customer location. This incident is not reported in our annual data because it occurred outside working hours. We have sought to learn from this incident in terms of managing remote field-service activities.

We continue to monitor safety performance in the workplace and are continuing with the process of integrating our Power Systems business into our HS&E management system. At present, Power Systems does not collect its HS&E data in a manner consistent with the Group and therefore this data has been excluded from our 2013 and 2014 HS&E figures.

In 2014, our total reportable injury (TRI) rate fell by 16% to 0.37 TRIs per 100 employees, compared to 0.44 in 2013\*. In the UK we were fined £200,000 and £176,000 in costs for a source radiography event that occurred in 2011. We improve the performance of our operations by reducing energy, greenhouse gas emissions and waste. We support our external suppliers to do the same.

\* The TRI rate excludes Power Systems, and has been adjusted to reflect the disposal of our Energy gas turbines and compressor business in December 2014. Entities that were part of the Energy business that were not part of the disposal have been included. See note at the bottom of page 46.

#### ACCELERATING PROGRESS

Our goal is to be recognised as a leading sustainable business. To achieve this we have established a dashboard of higher stretching targets, showing progress towards improved sustainability performance.

These targets are baselined on our 2014 performance data, with the exception of the ACARE Flightpath 2050 goals.

Our 2014 sustainability performance and targets are detailed overleaf.

# 2014 PERFORMANCE

Sustainability is inherent to our strategy. To be recognised as a leading sustainable business we will deliver better power for our customers, use innovation to secure a better future, and develop a better business, ready to meet the opportunities ahead.

CUSTOMER 	INNOVATION 	PROFITABLE GROWTH 
<p><b>BETTER POWER</b></p> <p><b>In the air</b> Our new Trent 7000 engine will deliver a 10% improvement in specific fuel consumption and halve the noise energy output compared to the current engine on the A330. Announced this year, our Advance and UltraFan next generation designs will offer at least 20-25% better fuel burn and CO<sub>2</sub> emissions than first generation Trent engines.</p> <p><b>On land</b> Our MTU technology installed on Deutsche Bahn's diesel Coradia Lint 54 and 81-type trains reduces particulate emissions by 90% and contributes to reducing fuel consumption and CO<sub>2</sub> emissions. Our nuclear technology is installed in over 200 reactors across 20 countries worldwide, making a significant contribution to low-carbon electricity generation.</p> <p><b>At sea</b> Our innovative ship design and propulsion systems and pioneering use of new cleaner fuel solutions are reducing emissions for our customers. Our Environship design reduces CO<sub>2</sub> by up to 40% compared to conventional diesel powered vessels and received the Heyerdahl Award this year.</p> <p><b>7,900</b> customers supported with our product learning solutions</p> <p>Hosted almost <b>14,000</b> visitors at our Customer Training Centres</p>	<p><b>BETTER FUTURE</b></p> <p>Over <b>1,000</b> employee STEM ambassadors globally</p> <p>Supporting a global network of 31 University Technology Centres, engaging over <b>700 academics</b> in fundamental research into cutting edge technologies</p> <p>Recruited <b>354 graduates</b> and <b>357 apprentices</b></p> <p><b>£10.6 million</b> invested in supporting communities, a <b>31%</b> increase since 2013</p> <p><b>40,000</b> employees directly accessed our learning system, completing 250,000 individual courses</p> <p>In 2014 we invested <b>£1.2 billion</b> in gross R&amp;D and filed for <b>600 patents</b></p>	<p><b>BETTER BUSINESS</b></p> <p>A <b>Global Code of Conduct</b> issued to all employees in <b>21</b> different languages</p> <p>Reduced year-on-year energy consumption normalised by revenue by <b>16%</b> since 2010</p> <p>Invested <b>£4 million</b> in energy efficiency improvement projects</p> <p><b>565 ktCO<sub>2</sub>e</b> absolute total GHG emissions from our operations*</p> <p>Total reportable injury (TRI) rate of <b>0.37</b> per 100 employees</p> <p>Occupational illness occurrence rate of <b>0.05</b> per 100 employees</p> <p>Our health and safety performance continues to improve with a <b>45% reduction</b> in TRI rate since 2010</p> <p>Supported suppliers to complete <b>2,500</b> individual courses</p>

Rolls-Royce has been listed in the Dow Jones Sustainability Index for the 13th consecutive year. We achieved an overall score of 66, well above the average of 49 in the Aerospace and Defense sector.

MEMBER OF **Dow Jones Sustainability Indices**  
In Collaboration with RobecoSAM

**CDP**  
DRIVING SUSTAINABLE ECONOMIES

We have improved our CDP score to 89. This and our maintained performance band rating 'B' demonstrates our commitment to continually improving our environmental performance.

\* Regulatory GHG emissions data detailed on page 164.  
 Limited assurance engagement undertaken by KMPG LLP, using the assurance standards ISAE 3000 and ISAE 3410, over the GHG and TRI data as highlighted. More information detailed on page 164.  
 We are in the process of integrating our Power Systems business into our HS&E management system. Energy, GHG, TRI and occupational illness data from Power Systems is excluded for 2014. The figures presented have been adjusted to reflect the disposal of our Energy gas turbine and compressor business in December 2014. Entities that were part of the Energy business that were not part of the disposal have been included.

# TARGETS

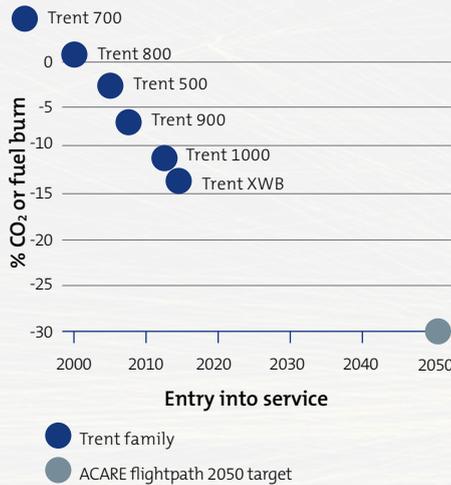
Our goal is to be recognised as a leading sustainable business. We have established a dashboard of higher stretching targets to accelerate progress.

## CUSTOMER

### BETTER POWER

#### ACARE Flightpath 2050 goals

The Advisory Council for Aviation Research and Innovation in Europe (ACARE) has set challenging goals for aviation to meet by 2050. These include reducing aircraft CO<sub>2</sub> emissions by 75% (per passenger kilometre); reducing noise by 65%; and reducing oxides of nitrogen (NO<sub>x</sub>) by 90%, all relative to a typical new aircraft produced in 2000.



This chart shows the improved efficiency levels of each generation of Trent engine since the Trent 700 was introduced in 1995, and our latest large civil engine, the Trent XWB.

The Trent XWB is the most efficient turbofan aero engine flying today.

## INNOVATION

### BETTER FUTURE

Reach

**6 million people**  through the Rolls-Royce STEM education programmes and activities **by 2020**

All sites to achieve Rolls-Royce employee **health and wellbeing LiveWell accreditation by 2020** 

Ensure our **Sustainable Employee Engagement Index** is greater, or equal to, the Global High Performance Norm\* **by 2020** 

## PROFITABLE GROWTH

### BETTER BUSINESS

All employees to complete **Global Code of Conduct certification** and mandatory ethics training **by 2020**

Reduce energy use **by 30%**  normalised by revenue by 2020

Reduce greenhouse gas emissions by **50% absolute by 2025** 

Reduce total solid and liquid waste by **25% normalised by revenue by 2020** 

Reduce **total reportable injury (TRI) rate to 0.3 per 100 employees by 2020**, to achieve first quartile performance

**Zero waste to landfill\*\* by 2020**

**All suppliers aligned to our own ambitions**

All suppliers agree adherence to the revised Global Supplier Code of Conduct **by 2016**

Strategic suppliers supported in annual Carbon Disclosure Project submissions **by 2016**

Strategic supplier adherence to the revised Code will be monitored **by 2016**

Strategic suppliers supported to reduce their energy and waste **by 2016**



Discover more online [www.rolls-royce.com/sustainability](http://www.rolls-royce.com/sustainability)

\* Provided by Towers Watson  
\*\* Excluding hazardous waste, incineration with energy recovery only.