



Guidance:

Conflicts of Interest

Title	Guidance – Conflicts of Interests
Version	V1.0
Author	Robert Wray
Process Owner	Neill Cooke
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Introduction

As a large multinational company, we have a responsibility to conduct business to the very highest ethical standards and build positive relationships with the communities around us. From a conflict of interest perspective, our policy is that we avoid any situation where conflicts of interest might be seen as influencing our business decisions or behaviour, or which might stop us from acting in the best interests of Rolls-Royce.

To help us meet this responsibility, this guidance is provided for Rolls-Royce employees to assist them in understanding what constitutes a conflict of interest and how to report one.

This guidance note contains examples which highlight where conflicts of interest may arise in various contexts. The examples are meant to provide guidance but cannot cover every possible situation that may arise. It is your responsibility to read, understand and apply the Conflict of Interest Policy (contained in the Group Policies Manual) correctly and to seek further guidance if you need it.

As per our Conflict of Interest Policy, a conflict of interest is any relationship (personal or professional), influence or activity that may limit, or appear to limit, the ability of employees to:

- make fair and objective decisions when performing their jobs; or
- act in the best interests of Rolls-Royce.

1. Roles and Responsibilities

All Employees must:

- try to avoid any conflict of interest. When a potential conflict of interest situation arises you must:
 - a. discuss the situation promptly with your Line Manager;
 - b. take steps to remove or mitigate the conflict of interest after discussion with your Line Manager;
 - c. report it using the conflict of interest disclosure form found at www.rrconflictinterestform.ethicspoint.com (see section 4);
- abide by laws and regulations relating to the engagement of current or former Government Officials; and

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- tell your manager if you have a family or romantic relationship with another Rolls-Royce worker, customer or supplier, unless you are certain that there is no actual or potential conflict of interest risk.

Line managers are responsible for assessing and managing any conflicts of interest in their team.

You must:

- look for any potential conflicts of interest in your team or in the area of the business where you work;
- help your team to understand and manage their own potential conflicts of interest;
- if a potential conflict of interest exists you must determine the best course of action to manage the conflict of interest; and
- review, annually, any reported conflicts of interest to ensure they continue to be managed appropriately. Any changes should be reported to your business Ethics and Compliance team.

2. What is a Conflict of Interest?

As outlined in the Introduction, our Conflict of Interest Policy defines a conflict of interest but what does this mean in practical terms?

A conflict of interest is a situation that arises during the course of your employment where your personal interest competes with that of the company. It may be the case that there isn't an actual conflict but there is a reasonable chance that a conflict of interest could be perceived to be present; these situations should still be reported to your line manager and Ethics & Compliance Team. This protects you and allows an objective assessment of the risks the scenario could pose.

The following are common types of scenarios where a conflict of interest can arise (this list is non-exhaustive):

- Directorships and trusteeships;
- Financial interests such as shareholdings in competitors;
- Personal relationships in the workplace; and
- Relationships with third parties such as suppliers.

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Further detail is provided in section 3 below and if you are unsure whether or not a situation is a conflict of interest, please contact your line manager and/or your local Ethics & Compliance Team.

3. Common types of Conflicts of Interest

3.1 Outside employment, business activities and temporary assignments/secondments

You have a duty to fulfil the responsibilities of your role at Rolls-Royce. Additional employment or business activities outside Rolls-Royce may compromise your ability to do so. Typically, this may be because that outside employment or business activity directly conflicts with the interests of Rolls-Royce. However, it is just as important to consider whether that outside employment or business activity takes up so much of your time that it prevents you from dedicating sufficient time to your work at Rolls-Royce.

Unless you have the prior, written approval of your business Ethics and Compliance team and have made a formal conflict of interest declaration, you must not work for, or provide any services to, a competitor or potential competitor, customer or supplier of Rolls-Royce, other than as part of an official secondment (i.e. a temporary assignment to work for another business, such as a customer, on behalf of Rolls-Royce) or similar arranged and approved by Rolls-Royce. Employees on secondment (either on a full-time or part-time basis) must be aware of the possibility of conflicts of interest between their responsibilities as an employee of Rolls-Royce and their role as a secondee/temporary assignee.

Examples of where a conflict of interest could arise from outside employment or business activities include:

- Working for a customer of Rolls-Royce on a part-time basis to fit in around your Rolls-Royce contractual hours or shifts;
- Setting up a business which seeks to supply Rolls-Royce with parts whilst continuing to be employed by Rolls-Royce;
- Offering consultancy services to a competitor or potential competitor of Rolls-Royce;
- Providing consultancy services to another business during your Rolls-Royce contractual hours of employment; and

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- When your outside employment or business activities prevent you from being able to work the hours which you are contractually required to work by Rolls-Royce.

3.2 Directorships and trusteeships

Employees who are directors of Rolls-Royce group companies must declare if they are a director or trustee of another company or entity external to Rolls-Royce to their line manager, the Governance team and the Ethics and Compliance team. Except where your appointment relates to a Rolls-Royce joint venture or subsidiary, such a directorship is not permissible if it is with a company which may be considered a competitor of Rolls-Royce.

Any employee, when taking on an external directorship or trusteeship, should ensure they have sufficient time to fulfil their responsibilities to Rolls-Royce and that no conflict of interest exists. If they are unsure, they should discuss this with their line manager and if any potential conflict exists, employees should report it to the Ethics & Compliance Team.

3.3 Working with family members and personal friends

The Conflict of Interest Policy does not prevent family members and personal friends from working together at Rolls-Royce. However, in certain situations, this can give rise to conflicts of interest which must be avoided or appropriately mitigated, declared and managed.

The recruitment, management and development of Rolls-Royce employees must be free from any conflict of interest. Unless such conflict of interest has been appropriately declared and suitable mitigations have been put in place, you must not directly supervise, carry out performance appraisals of, be involved with deciding any form of remuneration for, or participate in any selection activity involving, a family member or personal friend or any person you are in a relationship with.

In particular, any family or personal relationship within a team or within a reporting structure is a potential conflict of interest and must be reported and any appropriate mitigating action taken.

Examples of where a conflict of interest could arise in this context include:

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- A father supervising his son. The father's duties include signing off his son's timesheets;
- An individual reporting into a line manager who reports into their sister-in-law;
- An individual involved in the recruitment or promotion of a close, personal friend; and
- A husband and wife holding senior positions within separate teams but where their duties mean that they regularly interact when carrying out their respective duties.

Key things to consider if you work alongside a family member or personal friend include:

- Does one of the individuals have any direct or indirect influence over the day-to-day management, pay and conditions or performance management of the other?
- Could the relationship cause the judgment of one or both of them to be potentially impaired in matters relating to work?
- Could the relationship distract one or both of them from doing the job they are employed to do for Rolls-Royce?

You must discuss with your line manager any situations where you feel that a conflict of interest could arise from any relationships with other Rolls-Royce employees.

3.4 Romantic Relationships in the Workplace

Romantic relationships are highly personal and requirements to disclose them can feel quite intrusive. However, romantic relationships can also impact judgment and are often more powerful than financial interests in their impact.

Unless you are certain a conflict of interest does not exist, you must discuss with your line manager and report any situations where you feel that a conflict of interest could arise from a romantic relationship with other Rolls-Royce employees, customers or suppliers. The personal nature of this information will always be treated with sensitivity.

3.5 Relationships with suppliers, customers and other third parties

Developing and maintaining relationships with suppliers, customers and other business partners is vital to our business. However, relationships which become too cosy/informal or friendly might not be in the best interests of Rolls-Royce. You must not foster a relationship with any supplier, customer, competitor or other business partner of Rolls-

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Royce that compromises your ability to conduct business in the best interests of Rolls-Royce in an objective manner.

Conflicts of interest may also arise if you have family (including in-laws) or personal friends working for suppliers, customers, competitors or other business partners.

Examples of such conflicts of interest include:

- A long-standing supplier participating in a tender requests information or favourable treatment in the tender from the Rolls-Royce account manager who has worked with that supplier for a considerable period of time;
- A Rolls-Royce employee approving the invoices of a supplier where her husband is the key account manager for the supplier;
- The brother of a Rolls-Royce employee working on a sales campaign is one of the key customer contacts and will be involved in the engine selection process;
- A Rolls-Royce employee taking up an advisory role or similar with an organisation (for example, a government or academic institution) that Rolls-Royce has a relationship with; and
- An individual approving a donation to a charity which they are involved in the running of.

You must regularly assess your relationships with suppliers and customers and discuss with your line manager any that may cause a conflict of interest.

3.6 Rolls-Royce joint venture and subsidiaries

Any Rolls-Royce employee who serves on the board of a Rolls-Royce joint venture company is acting as a director of, and has a responsibility to, that joint venture. Employees must be aware of the possibility of conflicts of interest between their responsibilities as a director of a joint venture, their role as an employee of Rolls-Royce and the interests of Rolls-Royce as a shareholder in the joint venture. Employees who have roles with more than one joint venture should also consider whether there are any conflicts of interest between those roles. Further guidance can also be found in the Ethics and Compliance Joint Venture Toolkit found on the Ethics and Compliance Engine Room pages.

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3.7 Company assets

You are responsible for the proper use of Rolls-Royce assets. On some occasions it may be appropriate to use Rolls-Royce assets for non-Rolls-Royce business, for example to support a charitable or educational activity. Any such use must be approved by your line manager. Rolls-Royce assets must not be used for personal gain or benefit or for a political purpose.

4. How to report Conflicts of Interest

You should discuss any potential conflict of interest with your line manager first. The next step if you believe your situation is a potential conflict of interest is to report it.

Potential conflicts of interest are easy to report, and the Ethics & Compliance team is here to work with you to identify and resolve any issues. The form to report potential conflicts of interest is found [here](#) or can be located by searching 'Conflict of Interest Form' on the Engine Room.

5. How do we manage Conflicts of Interest?

Your business Ethics and Compliance team will review all conflict of interest reports submitted and respond to acknowledge them or make additional recommendations that might be required to mitigate any identified risks as a result of the conflict of interest. They will also provide a copy of the report to you and your line manager.

These recommendations must be reviewed annually – or when there is any significant relevant change – by you and your line manager, in conjunction with your business Ethics and Compliance Team, to ensure they remain appropriate.

6. Additional Reading

To support your understanding of our approach to conflicts of interest you should also read the following:

- Our Code; and
- Conflict of Interest Policy

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Appendix – Family & Romantic Relationships Policy FAQ's

Question/situation	Policy
1. What are my minimum responsibilities as an employee?	You must tell your manager if you have a family or romantic relationship with another Rolls-Royce worker, customer or supplier, unless you are certain that there is no actual or potential conflict of interest risk. This complies with the standards set out in Our Code and company policies, ensuring that any conflict risk is reported and mitigated. If you are not sure what this means in your situation, seek advice from an expert or your line manager.
2. What are my minimum responsibilities as a manager?	<ol style="list-style-type: none"> 1. As manager of an affected employee (or other suitable senior manager if the conflict involves the manager) you will need to determine if there is a conflict of interest risk: <ul style="list-style-type: none"> • using judgement, guided by our Values & Behaviours, Our Code and policies • being honest and transparent, ensuring neither of the employees nor Rolls-Royce is at risk • seeking advice if you're not sure, e.g. from your Local Ethics Advisor, your business Ethics & Compliance Team or HR 2. You must make sure mitigating actions are taken if there is a risk 3. You must ensure any conflict of interest risk and mitigations are reported confidentially to the Ethics & Compliance Team using the reporting form and reviewed annually/if any relevant change of circumstances occurs.
3. Do we allow romantic or family relationships in indirect line management chain, that is, where one party has decision-making responsibility over another, even where there may be other managers between (e.g. "grandparent" manager)?	No. Steps would need to be taken to mitigate this situation, such as a move for one party to a new role, or a change in organisation or job design.

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Question/situation	Policy
4. Do we allow a family or romantic relationship between two people in the same team or reporting structure?	It will depend on the specific situation. If this circumstance arises, you must tell your manager. This will ensure any actual or potential conflict of interest is understood and mitigating actions put in place as appropriate.
5. Do we allow romantic or family relationships when both parties work in connected areas, if there is no direct or indirect reporting relationship. For example, working on different workstreams of a large project team?	It will depend on the specific situation. Those involved, with their line managers, will need to assess whether there is any actual or potential conflict of interest and take mitigating action as appropriate. For example, will their ability to make fair and objective decisions on behalf of Rolls-Royce be impacted? Particularly in relation to romantic relationships, the situation could change over time, and any changes may prompt a requirement for a review.
6. Is it OK to start a relationship with someone in your team, whether or not there is a reporting relationship?	If one party is an Executive Team (ET) member, no. See point 10 below. For other employees, if you start such a relationship, you will need to report it to your manager, and put in place mitigating actions to avoid any conflict of interest. You should do this as soon as possible, knowing that all information will be treated in confidence.
7. When/what do I tell my manager if I start a relationship with a colleague?	If you begin a relationship with another Rolls-Royce employee unless you are certain that there is no actual or potential conflict of interest risk, you must speak with your manager. All information will be treated in confidence and managed in accordance with data privacy requirements.
9. For employees in HR: are any family or romantic relationships in the workplace OK? What about any other specific roles?	The respective roles and accountabilities of the individuals concerned are critical here. Any HR employee should not have oversight or direct responsibility for processing, influencing or making decisions about someone with whom they have a relationship. This may also apply for other job roles, such as internal audit, security, ethics and compliance.
10. I am an ET member. Do any special requirements apply to me?	Yes. Given the enterprise-wide leadership accountabilities of the ET it is not OK for a member of this group to start a romantic relationship with another Rolls-Royce employee.

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