

Appendices to GMB Rolls Royce Update August 2020

Appendix 1

Furlough Phase Three Payment Terms:

- 70% of your normal pay (base pay/AIR)
- For shift workers, normal pay is defined as your base pay/AIR inclusive of shift pay
- No individuals pay will fall below the Government Scheme minimum of 80% of wage costs up to a maximum of £2,500 per month (You will be advised if this underpin applies to you)
- Pension payments & redundancy payments on normal salary
- Holidays can be booked and taken whilst on furlough.

A copy of the company's FAQ can be found by copying and pasting the following link into your internet browser:

https://rrcivil.newsweaver.com/icfiles/1/87023/242650/6404273/2cdb88d5832cbde5edc69fff/covid-19%20faqs_civilaerospaceuk_29072020.pdf

Appendix 2

Bridging Pension Options – Company Email

Your Retirement Choices

Further to our earlier e-mail, we can confirm that you can now select your retirement options on the Pension website. We're sorry this has been delivered later than we originally advised but you should now have everything you need to select your options.

As previously advised, there is no hurry to make your choice; you have up to 3 months after your leaving date to do this so please take your time and, if you have not already done so, talk to WPS Advisory or your own financial adviser. If you decide to take retirement benefits from the RRUKPF you do not have to take advice but we strongly recommend that you do as this will help you to make the right choice for you. If you are planning on transferring your benefits then, by law, you have to engage with a regulated financial adviser such as WPS Advisory.

Bridging Pension Option & Your Deferred Voluntary Severance Amount

As you are aware, part of your VS package was deferred to allow you to consider a Bridging Pension Option. You now have the following choices.

- You can request that this amount is paid to you now
- You can keep this deferred

Requesting Payment of your Deferred VS now – this should be selected if you have definitely decided that a Bridging Pension Option is not for you. You can do this even if you are still considering the other retirement options but once you

request payment of the deferred VS amount you will no longer be able to take a bridging pension option. This process will also tell you how you can pay this as an AVC if you want to do this. If you do request payment of your deferred VS, it will be paid through the Company Payroll; requests made by midnight on the 10th of the month will be processed in that month's payroll run; requests after the 10th will be processed in the following pay period.

Keeping the balance of your VS deferred – if you are still considering the Bridging Pension Option you do not need to do anything. If you do select a Bridging Pension Option, the balance will be used to provide this additional temporary pension. If you decide to select a different option, the balance will automatically be paid to you when you choose your option on-line via the Your Choices at Retirement.

Rolls-Royce Pensions

Appendix 3

Email Communication from the Company, dated 21st July 2020:

Strategic Review of the Rolls-Royce UK Pension Fund (RRUKPF)

Following our announcement on Friday 22 May 2020 of our intention to conduct a strategic review of future benefits for employees who are active members of RRUKPF, I am very mindful of the provisions in the memorandums of understanding between the Company and the CNC, in particular: • Clause 5 of the “Consolidation of the Rolls-Royce UK Pension Schemes and associated benefit improvements 2016” MoU dated 19 October 2016 and • Clause 3.1.6 of the “UK Total Reward - Pensions (CNC) – 2018” MoU dated 4 May 2018.

These clauses set out the circumstances in which we would need to revisit the commitments made at the time around keeping the RRUKPF open for current active members. The purpose of this letter is to confirm that, unfortunately, we consider that the terms of these provisions have now been met. The global impact of the COVID-19 pandemic on Rolls-Royce and the whole aviation industry has been dramatic, leading us to take urgent action to protect our future. This has included: increasing our borrowing facilities by over £4 billion to protect our liquidity, dramatically reducing our spending, and cancelling the dividend due to shareholders in 2020 (for the first time in 25 years).

Despite these measures, our cash outflow in the first half of this year was approximately £3 billion, and it is clear that activity in the commercial aerospace market will take several years to return to the levels seen at the beginning of 2020. Consequently, we have already announced £1.3bn worth of annualised cost savings (included in our July trading update) and, sadly, the loss of over 9,000 jobs worldwide.

The pandemic is clearly an extreme and exceptional event which is beyond our control, and it has had a material impact on us. That is why we are consulting now to close the RRUKPF by the end of 2020, as part of a wide range of urgent measures to help protect our future.

Each year of additional pension accrual increases liabilities on the Group's balance sheet which our credit rating agencies view as extra debt. This is a headwind for us recovering our investment grade credit rating.

As you know, this consultation brings forward a process that was expected to take place in 2023, as the ongoing cost of future additional benefits for RRUKPF active members

(30.3% of salaries as at 31 March 2017) has continued to increase due to reasons outside of our control.

Over the past month we have made several attempts to meet with CNC representatives to specifically discuss the pension consultation process, but each meeting has been cancelled by the CNC representatives. For the reasons outlined above, we plan to start a statutory 60- day individual consultation no later than 31 July 2020. Please let me know before 27 July if the CNC wishes to discuss the issues in this letter regarding the 2016 and 2018 MoU provisions. We intend to write to the RRUKEPF Trustee on Tuesday 28th July 2020 to notify them formally of the intention to start the statutory consultation.

Finally, it's important to stress that starting the statutory 60 day individual consultation is a necessary step in the overall process, and we remain committed to working constructively with the CNC during this difficult time. I hope we can agree some mutually convenient meetings to support the consultation over the coming months. In the meantime, please also be reassured that we remain focussed on ensuring that the RRUKEPF remains well funded. We will continue to support the Trustee in the future strategy of the RRUKEPF to make sure that the pensions our employees and former employees have already built up are delivered to them.

Appendix 4

Email Communication from Tam Mitchell - CNC Chair – 23rd July 2020:

Thank you for your letter dated 21st July 2020 entitled '**Strategic Review of the Rolls Royce UK Pension Fund (RRUKEPF)**'.

The Trade Union is fully aware of the current situation that the company and our members find themselves in as a result of the Covid 19 crisis. Whilst we understand the importance of the pension fund and the company's position, you will recognise that the primary focus for the trade union at this present time is the protection of employment for the members we represent.

In addition you will also understand that the Trade Union cannot draw upon the same resources, unlike the company who have a vast army, to deal with the all the issues that we are currently facing at the same time.

The contents of your letter appear to suggest that the Trade Union have been deliberately holding up discussion and preventing the launch of a formal consultation process regarding the pension fund. However, unfortunately your letter fails to acknowledge a number of points.

Firstly, the company questioned the constitutional and negotiating rights of the CNC and its obligation to ballot the membership on changes to the Pension Scheme; this was subsequently discussed and clarified at a meeting on the 9th July 2020, with a small group of stakeholders.

During the course of these discussions it was made clear that the CNC did not intend to ballot on the issue of determining if a Force Majeure event had occurred in accordance with the provisions of the total reward agreement. Nonetheless the CNC's position was clearly articulated that the CNC maintained the right to negotiate the 'terms of closure' e.g. Augmentation of future accrual with the early closure of the scheme, share of fund, transition to the DC scheme and any improvements to the DC scheme benefits.

But perhaps more importantly there were two fundamental actions that arose from those discussions on the 9th July 2020, which you were party to, the first of which was clarifying the position which the TU have maintained all the way through and was part of the agreed national package.

- To provide comprehensive details of the strategic footprint review and associated phase 2 headcount reductions planned by the company before any pension's discussion were commenced.
- To formally capture the mutual understanding of the scope of what the CNC can and cannot negotiate and the terms of any ballot of the membership that may be undertaken.

To date neither of these two actions has been completed by the company and we are still waiting for the meeting to be set up for the footprint review.

Please note that until these actions have been completed the TU's position has not changed, therefore, we would suggest that these actions are completed before the 28th July 2020 in order to allow the CNC to meet your self-imposed timescale.

Appendix 5

Apprentices

Will I still receive my stage payments?

Apprentices will be paid their stage payments on completion of the normal requirements for each stage. The date of the stage payment may depend on your intake year, the length of time you are furloughed and/or on a funding break.

For pre 2018 intakes if you have submitted work to be assessed prior to being placed on furlough that takes you beyond 75% completion, this will be backdated in line with existing guidelines. If the work you have submitted requires re-work and re-submission following your return to work from furlough, it will be assessed and the effective date of your stage payment will be put back reflecting the length of time you were furloughed and/or on a funding break.

If you are in the 2018 or 2019 intake and meet the requirements for your stage payment, the length of time you are furloughed and/or on a funding break will be added onto the 1st September for the date of your stage payment. If you fail to meet the criteria in the time required, you will be eligible to re-apply on a rolling 3 months cycle post this date as per the normal process.