

## Appendix 1



### UK COVID -19 MEMORANDUM OF UNDERSTANDING

#### UK PACKAGE DEAL

This Memorandum of Understanding ("MoU) is made this 9<sup>th</sup> February 2021 between Rolls-Royce plc, (the "Company") and Unite the Union, GMB and other recognised Trade Unions (the "Trade Unions") with the following understanding:

- I. It confirms the key outcomes of discussions during May - July 2020 relating to a package of changes covering future redundancy arrangements and future sustainability & growth commitments in response to the Novel Coronavirus (COVID-19) outbreak with the aim of reducing cost, finding opportunities to achieve greater efficiencies and protecting our business and jobs going forwards.
- II. The content of this MoU applies to all represented employees within UK sites represented by the Trade Unions, as detailed in Appendix 1.
- III. This MoU will be followed from the date of signing and will form the governing principles for delivering on all areas of the UK package deal.
- IV. In accordance with Section III, the intention is that the principles set out below will be incorporated into separate memorandum of understandings, or a collective agreement to vary relevant terms and conditions of employment and associated working practices, following further collective discussions - both parties acknowledge some of these items will be for negotiation and some will be for consultation. Both parties intend that all Sections of this MoU are contingent on reaching agreement on all the elements of the UK package deal as set out below. For the avoidance of doubt, it is therefore not possible to have agreement on one element without reaching agreement on the other(s), and no element will survive on its own.

#### KEY OUTCOMES

##### 1. UK Redundancy Arrangements

1.1 The standard redundancy severance arrangements that will apply from the 1<sup>st</sup> January 2022 are set out in Appendix 2, with the following exception:

**1.1.1 Ross Ceramics, Trentham and Denby**

Local severance arrangements under the Ross Ceramics Redundancy Arrangements Memorandum of Understanding (Sept 2020) will continue to apply to all eligible employees.

1.2 Entitlement to outstanding holiday pay for employees leaving due to redundancy will be calculated based on accrued holiday entitlement of floating and fixed days (excluding statutory bank holidays) as at actual date of leaving, less any holiday entitlement taken.

1.3 The part-time rate calculation based on salary at date of leaving will apply up until a point of concluding a legal review. New criteria to be agreed, if required following the legal review.

**1.4 Consultation Principles**

1.4.1. The Company will align Ross Ceramics to its redundancy procedures/process alongside UK sites represented by the Trade Unions, as detailed in Appendix 1 from the 1<sup>st</sup> January 2022.

1.4.2 Where the Company proposes to make any redundancies before the 31<sup>st</sup> December 2021, following issue of S188 information to appropriate representatives there will be a minimum 45-day consultation period before the first compulsory dismissal (if mitigation cannot be found) will take effect.

For proposed redundancies communicated before the 31<sup>st</sup> December 2021 that would take effect in 2022, the Company will apply the temporary redundancy severance arrangements under the Covid-19 Temporary Redundancy Memorandum of Understanding (Nov 2020) to any exits.

1.4.3 From the 1<sup>st</sup> January 2022 where the Company proposes to make any redundancies, following issue of S188 information to appropriate representatives there will be a minimum 65-day (regardless of the number of redundancies proposed) consultation period before the first compulsory dismissal (If mitigation cannot be found) will take effect. Voluntary severance dismissals can take effect at the end of any required legal minimum<sup>1</sup> consultation period.

1.4.4 Selection, including pooling and criteria is a matter for consultation.

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<sup>1</sup> The legal minimum period for notification and consultation for between 20 to 99 proposed redundancies at one establishment is 30 days before the first dismissal. For 100 or more proposed redundancies it is 45 days before the first dismissal. For proposed redundancies of less than 20 there is no minimum period.

A standard selection assessment (detailed in the UK Temporary Redundancy Memorandum of Understanding dated [insert]) for pooled roles has been agreed for use in all UK sites where redundancies are proposed, this selection criteria remains a matter for consultation under the Trade Union Labour Relations (Consolidation) Act 1992, and to ensure legal compliance.

1.4.5 Employees selected for compulsory redundancy will no longer be eligible to a minimum eight weeks full-time secondment to the Resource Centre Plus (RCP) prior to leaving the Company. On-going redeployment support will be provided via a Virtual Resource Centre.

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1.5 In the event of a site closure or the closure of a complete business within a site (where the work is ceasing) a run-down bonus of a minimum £5,000 gross per person on exit or £250 per month for a maximum period of 2-year will be made to employees selected for compulsory redundancy who will exit on a Company agreed date, subject to the usual deductions of tax and National Insurance. Eligibility for run down bonus will be subject to site closure performance measures/metrics.

1.6 Employees who accept an alternative role at another location to mitigate a compulsory redundancy will be entitled to relocation support of £5,000 gross, subject to the usual deductions of tax and National Insurance and a one-year claw back period. Eligibility will be subject to normal relocation allowance criteria.

The Covid-19 Temporary Redundancy Memorandum of Understanding (Nov 2020) ("MoU") will be used as the provisional framework for an updated permanent UK redundancy memorandum of understanding during 2021. It is acknowledged that some elements of this MoU will not be replicated, including but not limited to the severance arrangements, minimum consultation periods, the voluntary redeployment process and pool priorities identified for use during the current Civil restructuring programme. Future approaches to redeployment and pool priorities for redundancy and restructuring programmes will be jointly determined as part of the consultation process to ensure they reflect the scale and scope of individual programmes.

1.7 Employees (excluding those in Defence) will not be eligible to apply for wind-down entitlement under the National Age-Related Benefits Agreement (Sept 2017) until 1<sup>st</sup> January 2022.

## 2 Future Sustainability & Growth

**2.1 Productivity & Efficiency (excluding the Defence Business):** The Company and Trade Unions commit to entering into open-minded discussions and to make progress on closing the productivity and efficiency gaps across UK site, with the aim of achieving a plan for 10% improvement by the end of 2021. It is recognised that the pace of implementation will vary by how the productivity and efficiency is achieved.

2.2 Subject to progress being made in relation to Section 2.1, the Company and Trade Unions will also enter into discussions on, and agree rates for new starters to fit into existing pay structures in 2021 to apply in 2022 aligned to existing UK pay structures.

**2.3 Core Workforce Principles:** Core workforce principles have previously been agreed to cover resourcing strategies that deliver overall capacity, including permanent core (direct, indirect and engineering) employee workforce across Civil Aerospace of 80%, supplemented by a flexible non-core workforce not expected to exceed 20% unless by mutual consent to account for fluctuations in load and to protect core workforce employment in down turns. This will be the 12-month rolling average measured across Civil Aerospace with 3 monthly business wide reviews.

2.3.1 The 20% flexible workforce will include, agency workers, Do/Control Managed Services and any other temporary labour as well as Protect work (excluding that completed in AxRCs, UTCs, RRSPs, JVs) It will also not include service contracts. Whilst service contracts, AxRC's etc are excluded the type of work being carried out should be shared in the business reviews.

2.3.2 Due to the nature of the Civil IT business, at times it will operate outside of the 80% and 20% limits. This is a result of the project driven model requiring specialists' skills to deliver key programmes required by the business. The level of flexible resource and ongoing forecast will however be shared during the 3 monthly business reviews.

2.3.3 Civil Aerospace is committed to establishing and agreeing core workforce principles and controls by the end of 2021.

**2.4 Managed Services:** For Civil Aerospace a managed service provision will provide support for work categorised as "Buy" and "Protect" (not completed in AxRCs, UTCs, RRSPs, JVs) in order to support overall affordability. This will be in line with the defined strategic resourcing plan and will include the relevant Do/Buy/Control/Protect assessments and capture work completed during 2019 & 2020 on managed service definition and operation.

2.4.1 Civil Aerospace is committed to establishing and agreeing managed service implementation and controls to ensure relevant capability and competency remain in the core workforce and consult on work moving between Do/Buy/Control/Protect. Civil Aerospace will also provide information on the forecasted managed service spend at the beginning of each year and this will be used

to track progress via the monthly local consultation sessions. Civil Aerospace will also ensure for Direct (Engineering) and Indirect a quarterly review takes place looking at the overall Managed Service spend and any significant changes as defined in a Managed Services MoU.

2.4.2 In the event of a redundancy process, Civil Aerospace will agree to use the following approach to assess tasks that will be captured along with the other principles in a Managed Services MoU:

2.4.2.1 'Do' (i.e. Work that Rolls-Royce has determined should be conducted internally) classified work that has been outsourced owing to in-house capacity, it will ensure that capability/competency is maintained in Rolls Royce or they have plans to acquire/re-acquire the competency and capabilities. This work will be brought back in-house (niche supplier may be used for training to enable redeployment and should be shared through consultation) subject to capacity.

2.4.2.2 Protect (i.e. Work that Rolls-Royce has determined should be protected) classified work that has been outsourced owing to in-house capacity, will be jointly reviewed to ensure that capability/competency is maintained in Rolls-Royce.

If there is a risk to losing this capability/competency then the work specific to that risk will be brought back in-house subject to capacity

2.4.2.3 Control (i.e. Work that Rolls-Royce has determined should be controlled) classified work that has been outsourced owing to in-house capacity, will be jointly reviewed to ensure that capability/competency is maintained in Rolls-Royce and if this can be brought in-house while maintaining affordability to mitigate further reductions subject to capacity

2.4.2.4 'Buy' (i.e. Work that Rolls-Royce has determined should be conducted externally to the Company) classified work that has been outsourced owing to the overall benefit, will be jointly reviewed to understand the impact of in-sourcing any of this activity on sustainability and affordability. The impact statement and role as the intelligent customer will then be used to consider if any in-sourcing will take place subject to capacity

2.4.3 Civil Aerospace will also work to further simplify the Do/Control/Protect/Buy assessments across Civil Aerospace Indirect and Direct Engineering in line with the discussions during the Managed Service consultation process.

2.4.5 Make/Buy in Civil Aerospace will be subject to separate discussions and a specific MoU.

**2.5 Trade Union Representation Structure:** The Company and Trade Unions are committed to reaching agreement on a revised representative structure including the scope and numbers of trade union representative to reflect the resized organisation by the end of the April 2021.

2.5.1 The revised representative structure will reflect CSEU national governance and compliment legal consultative frameworks.

This does not form part of the UK package deal however for the avoidance of doubt, subject to agreement being reached on a revised representative structure the existing bargaining structures and units as detailed in Appendix 1 remain, and any local trade union representative structure below these units is unchanged except where recruitment of a replacement full or part time representative is required. These will be temporary replacements pending formal constitutional Workplace Elections by Unite (no later than end of April 2022) on the revised representative structure.

### **3. 2021 Pay Review:**

3.1 The Company and Trade Unions agree a position of supporting no negotiated pay increase in 2021. Pay review discussions for Defence will be subject to separate discussions

### **4. Signatories**

#### **Signed on behalf of the Company**

Signature: \_\_\_\_\_

Name: Andrew Page

Position: Head of Employee Relations

Date: \_\_\_\_\_

#### **Signed on behalf of the National Negotiation Trade Union Group**

Signature: \_\_\_\_\_

Name (Please Print): \_\_\_\_\_

Position: \_\_\_\_\_

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

Name (Please Print): \_\_\_\_\_

Position: \_\_\_\_\_

Date: \_\_\_\_\_ **Appendix 1: UK Sites**

### **Combine Group**

- Compressor Components (Inchinnian) Single Status
- Rotatives (including FSF) (Washington) Works
- Compressor Components (Barnoldswick) Works
- Compressor Components (Ansty) Works
- Turbines (including CTAL) (Bristol) Works
- Defence (Bristol) Works
- Turbines (Rotherham)

### **Derby & Hucknall Works Bargaining Groups**

- Derby & Hucknall (Works)
- Engine Overhaul Services (Derby & London Heathrow) and On-Wing Services
- Rotatives (Annesley) Works
- Turbines (TBF, Derby) Shopfloor (Works)

### **Staff National Bargaining Group ('SNBG')**

- Compressor Components (Ansty) Staff

- Compressor Components (Barnoldswick) Staff
- Naval Marine (Portsmouth) Staff
- Turbines (Denby) Staff
- Turbines (Trentham) Staff
- Policy Committee representing Staff at Derby/Hucknall/Annesley (Civil, Supply Chain, Controls, CHQ)
- Turbines (TBF, Derby) Professional (Staff)
- Rotatives including FSF (Washington) Staff
- Site Committee representing Staff at Bristol (Defence, Turbines, Controls and CTAL)

### **Submarines Bargaining Groups**

- Main Site (including Nuclear Services and Projects, Derby)
- Operations
- HPV
- Vulcan

### **Controls Bargaining Group**

- Controls (Birmingham) Staff & Works

### **National Apprentice Group**

- UK Apprentices

### **Appendix 2: Future Redundancy Severance Arrangements**

These arrangements are applicable to all employees, excluding all managers (i.e. Level C+) and all employees in Ross Ceramics.

#### Statutory Redundancy Pay

- For each complete year of continuous service up to a maximum of 20 years
 

Up to age 21	1/2 week's pay
Between age 22 and 40	1 week's pay
Age 41 and over	1 1/2 weeks' pay
- The applicable statutory cap on a week's pay will apply.
- Base pay, plus shift allowance will be included in the calculation of a week's pay over a 12week average.

### Company Severance Enhancement

In addition to statutory redundancy pay, employees will receive a payment equivalent to:

- 1 week's pay uncapped for each year of continuous service up to a maximum of 19 years (i.e. capped at 19-weeks' pay).

### Voluntary Severance Incentive

A one-off early acceptance incentive of £5,000 will be applied to the calculated redundancy value where employees exit under a voluntary severance programme.

### Minimum Payment Floor

A minimum payment floor of £4,000 will apply to the total package (i.e. statutory redundancy pay, company severance enhancement, voluntary severance incentive) an employee will receive.

### Total Package

The total package, and its separate elements, will be reviewed and, where appropriate, will be paid tax free up to the current H M Revenue & Customs ("HMRC") limits, subject always to complying with the HMRC criteria and regulations.

### Conditions

1. These redundancy severance arrangements are effective from the 1<sup>st</sup> January 2022.
2. They will be offered to acceptable volunteers and those employees selected for compulsory redundancy by management.
3. All severance arrangements are inclusive of an individual's statutory redundancy payments' entitlement and where this is exceeded the excess is offered subject to all redundancies being achieved in the jointly determined timescales as part of the consultation process, and with the full co-operation of employees without disruption.
4. All severance arrangements are in full and final settlement of all statutory redundancy payments.