



Rolls-Royce

Know Your Partner

Section 1 - Third Party Due Diligence Risk Assessment Toolkit

Trusted to Deliver Excellence

Introduction

This due diligence risk assessment toolkit (“Risk Assessment Toolkit”) is designed to help you assess the potential bribery and corruption risks posed by Rolls-Royce’s dealings with customers, suppliers and other business partners (“Third Parties”). It is designed to be the starting point for all due diligence on Third Parties and is supported by separate toolkits (“ABC Toolkits”) which provide details on what specific steps you are required to take to identify and manage actual bribery and corruption risks of your Third Parties.

The principles of the ABC Toolkits are based around our **Assess, Bind, Check** approach:

1. **Assess** – we assess the risks of dealing with Third Parties through appropriate background checks and take steps to mitigate those risks.
2. **Bind** – we bind our Third Parties to our anti-bribery and compliance expectations via appropriate contractual commitments.
3. **Check** – we check and monitor the performance and conduct of our Third Parties and take steps to address any red flags (i.e. indicators of risk) that arise.

The requirements of this Risk Assessment Toolkit and the ABC Toolkits (together, the “Due Diligence Toolkit”) are mandatory and must be followed for all Third Parties. They support the Global Anti-Bribery and Corruption Policy and apply to all employees of Rolls-Royce plc and its wholly owned subsidiaries (“Rolls-Royce” or “Company” or “employees”). Rolls-Royce employees who are directors on Boards of non-wholly owned subsidiaries should encourage the non-wholly owned subsidiary to adopt the Due Diligence Toolkit as a model or adopt similar requirements.

1. Applicability, Scope and Responsibility

- 1.1. The Director of Risk has overall responsibility for the Due Diligence Toolkit. The Chief Compliance Counsel - ABC is responsible for setting common standards for the implementation and management of the Due Diligence Toolkit across Rolls-Royce.
- 1.2. Divisional Presidents and Functional Directors are responsible for ensuring that sufficient resources are allocated to ensure that the Due Diligence Toolkit is fully implemented within their areas of responsibility.
- 1.3. For each Third Party there should be an individual (the “Proposer”) who is assigned overall responsibility for ensuring that the requirements of the Due Diligence Toolkit are followed. This should be an employee involved with the management of the relationship with the Third Party (for example, the customer relationship manager).

- 1.4. This Risk Assessment Toolkit will help you to understand the inherent risks in a Third Party relationship; that is, the bribery and corruption risks brought about by the nature of what the Third Party does for us. Third Parties can be categorised as Level 1 to 4, as set out below in decreasing order of risk. To commence due diligence on a Third Party you should first decide what level it sits in as set out in paragraphs 2.1. to 2.4. below. Once you have done that you then need to consult the appropriate ABC Toolkit as set out in paragraph 2.6. below.
- 1.5. If any Third Party satisfies the criteria for more than one level then they should be dealt with under the requirements for the level which is considered higher risk. However, the Third Party may perform services at the lower risk level if the due diligence requirements for that level have been fulfilled whilst the additional due diligence for the higher risk level is ongoing.
- 1.6. If you are in any doubt as to which level is correct, you should use the higher risk level or contact your Sector Compliance Officer for assistance.
- 1.7. Other than for Level 1 Third Parties, where Rolls-Royce is dealing with multiple Third Parties that are:
 - 1.7.1. part of the same group of companies; and
 - 1.7.2. headquartered in a country at or above a score of 68 on the latest Transparency International Corruption Perceptions Index (a link to which can be found on the Compliance pages on InfoCentre); and
 - 1.7.3. that group of companies has an annual turnover of at least £100 million,then due diligence need not be conducted on each individual entity separately and can be conducted on the group as a whole. This due diligence should be conducted based on the risk level for the highest risk entity in that group of companies.

For these purposes, two companies are considered “part of the same group of companies” where the same third company has a controlling interest, directly or indirectly, in both of them or where one of the companies has a controlling interest, directly or indirectly, in the other.
- 1.8. Where a Third Party deals with more than one part of Rolls-Royce then the requirements of the Due Diligence Toolkit do not need to be followed by each different part of the business separately. The different areas of the business should agree between them which business will take the lead and who the Proposer will be. The due diligence should be based on the highest risk level that the Third Party sits in for its work with Rolls-Royce. The fact that a Proposer works in one part of the business does not remove responsibility from other parts of the business for ensuring that they do not deal with Third Parties that have not completed all of the necessary requirements.

- 1.9. The documentation completed pursuant to the requirements of the ABC Toolkits should be reviewed and approved by the same individuals as those required to review and approve all other documentation relating to the commencement of a relationship with the Third Party.

2. Risk Rating

2.1. Level 1 Third Parties

Any of the following:

- 2.1.1. an Adviser (as defined in the Global Advisers Policy); or
- 2.1.2. an Offset Partner (as defined in the Global Offset Policy); or
- 2.1.3. a joint venture partner.

2.2. Level 2 Third Parties

Any airframer or prime contractor (including any shipyard, ship designer or Engineering Procurement and Construction contractor) that the Company sells to that is not the end customer for that sale.

2.3. Level 3 Third Parties

Any entity or person involved with the transportation of items across a national border on behalf of the Company (by providing physical transportation or by obtaining government approvals and paperwork).

2.4. Level 4 Third Parties

Any other customer, supplier, professional adviser or other business partner (including, but not limited to, leasing companies, MROs, AMROCs, AMCs, service representatives and similar service providers and Risk and Revenue Sharing Partners).

- 2.5. The flowchart at Appendix 1 can also help you to decide the correct level for your Third Party.

- 2.6. Once you have decided what level the Third Party is you need to follow the necessary steps set out in the following documents:

2.6.1. Level 1 Third Parties:

- 2.6.1.1. for Advisers - the Global Advisers Procedures;
- 2.6.1.2. for Offset Partners - the Global Offset Procedures; and
- 2.6.1.3. for joint venture partners - the relevant Mergers & Acquisitions guidance on anti-bribery and corruption;

2.6.2. Level 2 Third Parties – Due Diligence Toolkit Section 2: Level 2 ABC Toolkit;

2.6.3. Level 3 Third Parties – Due Diligence Toolkit Section 3: Level 3 ABC Toolkit; and

2.6.4. Level 4 Third Parties – Due Diligence Toolkit Section 4: Level 4 ABC Toolkit.

2.7. Appendix 2 contains a table which summarises the requirements of each of the above documents. To use the table you need to decide which level your Third Party is and then look along the appropriate row to see which of the possible due diligence options are required for that type of Third Party.

2.8. In addition to the ABC Toolkits listed at paragraph 2.6. above, there are a number of other supporting materials for the Due Diligence Toolkit which can be found on the Compliance pages on InfoCentre, including in particular:

2.8.1. Guidance on how to screen Third Parties using the Rolls-Royce designated anti-bribery screening software;

2.8.2. Guidance on contracting with Third Parties;

2.8.3. Guidance on what to look out for when dealing with Third Parties (red flags);

2.8.4. Training materials; and

2.8.5. An interactive file containing various questions which you answer on screen to direct you to the relevant due diligence requirements and supporting documents. **We particularly advise that you make use of this file when first using the Due Diligence Toolkit.**

2.9. The ABC Compliance team or your Sector Compliance Officer may, at any time, increase the risk level of a particular Third Party and require you to conduct more rigorous due diligence than would otherwise be required if red flags arise during the course of the relationship.

3. What to look for

When reviewing information gathered during due diligence you should look for red flags. If you identify any red flags then appropriate steps will need to be taken to mitigate them. You should work with your Sector Compliance Officer to agree appropriate mitigation steps. The red flags and mitigation steps should be documented in the due diligence file (see paragraph 5.) for the Third Party. A standard list of red flags can be found on the Compliance pages on InfoCentre.

4. Data Privacy

Due diligence involves the collection, processing and retention of personal data. This must be treated in accordance with applicable privacy legislation and the Global Data Privacy Policy.

In particular, any personal data must be accurate, up-to-date, not excessive, not retained for longer than necessary (retained in line with the Company retention policy) and kept securely. If any individual requests access to the personal data we hold on them they are entitled to see it (unless an exemption applies), and the Company has a process for actioning such requests.

Further information and guidance on handling personal data can be found on the Global Data Privacy pages on InfoCentre and via contacting data.privacy@rolls-royce.com.

5. Recordkeeping

5.1. It is the responsibility of Proposers to retain complete, accurate and up-to-date records and supporting documents in connection with the selection, due diligence, appointment and maintenance of each Third Party. This includes:

5.1.1. all original paperwork and contracts; and

5.1.2. any reports and supporting documentation that have been prepared; and

5.1.3. a record of all red flags identified and steps taken to mitigate them.

5.2. Due diligence files should be stored in a secure location taking into account the data privacy obligations set out at paragraph 4. above and the need to readily locate them if queries or concerns arise at any time during the course of the relationship.

6. Where to go for help

Please consult any one of the following documents or departments for further help:

6.1. The Global Code of Conduct

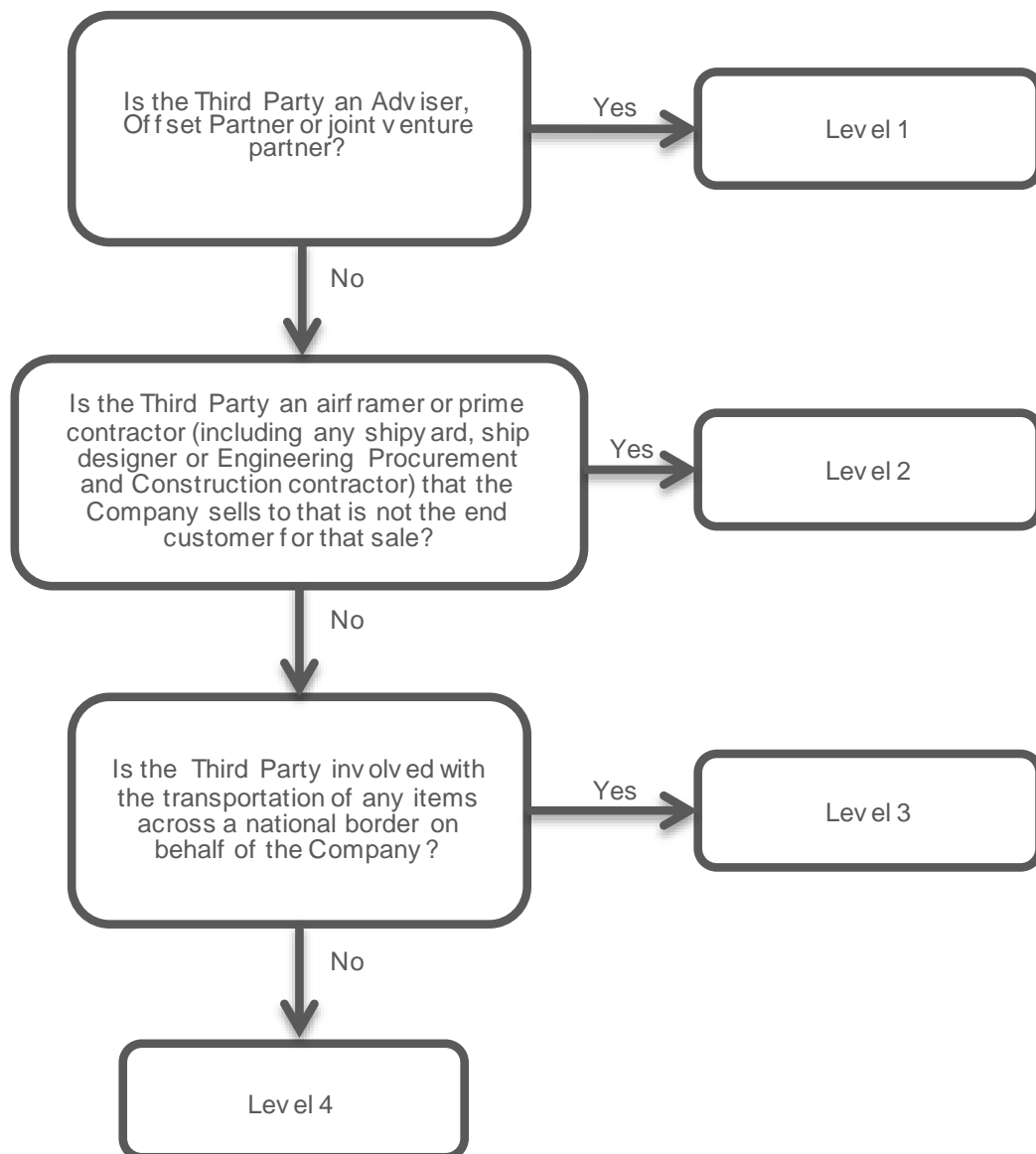
6.2. Your Sector Compliance Officer or the ABC Compliance team (contact details are provided on the Compliance pages on InfoCentre)

6.3. The Legal Function

6.4. The Rolls-Royce Ethics Line

If you believe you have experienced or witnessed unethical behaviour with respect to Third Parties you have a responsibility to do something about it. If you are unsure where you can report your concern, please consult the Rolls-Royce Ethics Line.

Appendix 1 – Risk Rating Flowchart



Appendix 2 - Summary of Due Diligence Requirements

Due Diligence Requirement							
Assess			Bind		Check		
Third Party Questionnaire	Compliance Due Diligence	Anti-Bribery Screening	Precedent Contract or Contract Reviewed by Compliance	Standard Anti-Bribery Clauses	Periodic Formal Review	Ongoing Monitoring	
Level	Level 1	Requirements set out in the Global Advisers Procedures, Global Offset Procedures or relevant Mergers and Acquisitions procedures, as applicable.					
	Level 2	Bespoke arrangements.		✓	X	✓	✓
	Level 3	✓	✓	✓	X	✓	✓
	Level 4	X	X	✓	X	X	✓

Document control - for internal use only

STATUS	Final
VERSION NUMBER/FINAL	Version 1
EFFECTIVE DATE	30 June 2015
NEXT SCHEDULED REVIEW	June 2016
SPONSOR	Director of Risk
OWNER	Chief Compliance Counsel
AUTHOR	Chief Compliance Counsel
SUPERSEDES VERSION	First issue
SCOPE	All employees globally, subsidiaries and JVs

© 2015 Rolls-Royce plc

The information in this document is the property of Rolls-Royce plc and may not be copied, communicated to a third party, or used for any purpose other than that for which it is supplied, without the express written consent of Rolls-Royce plc.