

California Transparency in Supply Chains Act of 2010

As a global company, we seek to be a good corporate citizen in our dealings with customers, suppliers, employees and the communities where we are based around the world. One of our customers is the Government of the United States. As such, we are subject to Federal Acquisition Regulations ("FAR"), one of which (FAR 52.203-13) required us to adopt and implement a code of business ethics and conduct. In compliance, Rolls-Royce Power Systems AG adopted a code of business ethics. Moreover, in order to ensure alignment across our supply chain, in 2014 Rolls-Royce Power Systems AG adopted the Rolls-Royce Power Systems AG Integrity and Trust Guideline, which suppliers and service providers must acknowledge the receipt agree to in order to be an approved Rolls-Royce Power Systems AG supplier. In addition, Rolls-Royce Power Systems AG encourages its suppliers to adopt and disseminate these values within the supplier's own supply chain.

The Integrity and Trust Guideline (1) sets forth the minimum standard of business behavior expected of our suppliers so that they act in a way that is ethical, and corporately responsible and (2) aims to ensure compliance with applicable laws and regulations.

In 2010, California enacted the Transparency in Supply Chains Act ("Supply Chains Act"), which requires the disclosure of our efforts to eradicate slavery and human trafficking in our supply chain. In compliance with the Supply Chains Act, Rolls-Royce Power Systems AG makes this disclosure.

Prior to the enactment of the Supply Chains Act, Rolls-Royce Power Systems AG had already set forth in the Integrity and Trust Guideline the following "Employment Standards" for our suppliers. These Employment Standards collectively seek to improve the working conditions of our suppliers' employees, including but not limited to a prohibition of slavery and human trafficking:

1. **Employee Involvement.** Rolls-Royce Power Systems AG expects suppliers to develop constructive relationships with employees and employee representatives and to recognize the rights of individuals to join trade unions or not. Suppliers are expected to observe the legislation in each country regarding collective representation.
2. **Diversity and equality.** Suppliers are expected to support equal pay for work of equal value. Suppliers must oppose discrimination and intimidation towards employees, including all forms or threats of physical and psychological abuse.
3. **Pay and Benefits.** At a minimum, Rolls-Royce Power Systems AG expects suppliers to comply with all national regulations on pay and benefits. These should be sufficient to meet basic needs of workers and their families.
4. **Working hours.** Rolls-Royce Power Systems AG suppliers are expected to comply with national regulations on working hours. Employees should have annual leave provision and be permitted at least one non-working day per seven days on average.
5. **Forced or involuntary labor.** Rolls-Royce Power Systems AG believes that employment should be freely chosen and therefore expects suppliers must refrain from using any form of forced, involuntary or debt-bonded labor.
6. **Child labor.** Rolls-Royce Power Systems AG is opposed to the use of any form of Child Labor or practices that inhibit the development of children. Suppliers must comply with all child labor laws and should not employ anyone under the age of 15, or where it is higher, the mandatory school-leaving age in the local country.

In addition to these Employment Standards for suppliers, Rolls-Royce Power Systems AG mandates that its suppliers make proper provisions for the health, safety and welfare of their employees, visitors and contractors, as well as those in the community who may be affected by the supplier's activities. Suppliers must provide Rolls-Royce Power Systems AG access to the documentation upon request. Currently, though Rolls-Royce Power Systems AG has no knowledge of violations of its Integrity and Trust Guideline, Rolls-Royce Power Systems AG does not conduct unannounced audits or use independent third parties to conduct audits of its direct supply chain to evaluate risks of human slavery or trafficking.

With the passage of the Supply Chains Act, as well as the enactment of other regulations governing government contractors, Rolls-Royce Power Systems AG is in the process of reevaluating its Integrity and Trust Guideline. Part of that reevaluation process will include consideration of audits and additional monitoring of Rolls-Royce Power Systems AG suppliers, the method by which such monitoring will occur, training of Rolls-Royce Power Systems AG procurement personnel on human slavery and trafficking, and internal accountability standards for employees and suppliers who fail to meet our Employment Standards.