

Rolls-Royce Media Q&A

Q1 How has Rolls-Royce reacted to these agreements?

A1 Please read our press release here [<http://bit.ly/Rolls-RoyceStatement>] and watch the video statement of our CEO Warren East here [<https://vimeo.com/199679569>].

Q2 What are Deferred Prosecution Agreements and Leniency Agreements?

A2 A DPA is a voluntary agreement, which results in the suspension of a prosecution for a defined period provided that the company fulfils certain requirements such as the payment of a financial penalty, co-operating with the authorities in further investigations and implementing a plan to further improve ethics and compliance procedures.

If the company meets those conditions, no prosecution will result at the end of the agreement term and we won't be prosecuted for the past conduct set out in the agreed Statement of Facts.

DPAs require approval by a judge to be effective.

A Leniency Agreement with the Brazilian Federal Prosecution Service, the Ministério Público Federal (MPF), is similar to a DPA in that it ensures an exemption from civil action against Rolls-Royce by the MPF subject to certain conditions (compliance and assistance in the MPF's investigations) being met. The Leniency Agreement is not, however, limited to a specified term.

Q3 What fines and measures are required under these agreements?

A3 In total, Rolls Royce has agreed to make payments of approximately £671m at current exchange rates under all three agreements.

- Under the UK DPA, Rolls-Royce has agreed to pay £497,252,645 plus interest over a period of five years plus a payment in respect of the SFO's costs. That is made up of: £258,170,000 in disgorgement of profits (i.e. profit gained as a result of alleged conduct) and a financial penalty of £239,082,645. In addition we are paying the SFO's costs.
- Under the US DPA, Rolls-Royce has also agreed to pay a penalty of US\$169,917,710
- Under the Brazilian Leniency Agreement, Rolls-Royce has also agreed to pay a penalty of US\$25,579,179.

Rolls Royce has committed to continue co-operating in full with the authorities and continue to enhance its ethics compliance improvement programme, including through the continuing engagement of Lord Gold.

Q4 Are all three agreements part of a co-ordinated settlement?

A4 Yes. All three agreements relate to bribery and corruption involving intermediaries in a number of overseas markets, concerns about which Rolls-Royce passed to the SFO in the UK from 2012 onwards following a request from the SFO.

Q5 What conduct or practices do the agreements cover?

A5 The agreements relate to bribery and corruption involving intermediaries in 12 overseas markets, concerns about which Rolls-Royce passed to the SFO in the UK from 2012 onwards following a request from the SFO.

Rolls-Royce started reporting the findings of its internal investigation to the SFO in late 2012 and early 2013. Rolls-Royce continued to update the SFO and the DoJ on its ongoing investigation. The conduct uncovered took place between January 1989 and November 2013 and involved activity in 12 countries: Angola, Azerbaijan, Brazil, China, India, Indonesia, Iraq, Kazakhstan, Malaysia, Nigeria, Russia, Thailand.

For legal reasons, Rolls-Royce is unable to comment on the specific conduct set out in the Statement of Facts included in the collective agreements.

Q6 How long do these agreements last?

A6 UK DPA: The term of the UK DPA is a maximum of 5 years, with effect from the date on which it is formally approved by the UK court.

US DPA: The term of the US DPA is 3 years, with effect from the date the DoJ files papers with the court, but may be extended by up to one year if the prosecutor determines that Rolls-Royce has knowingly violated any provision of the agreement.

Brazilian Leniency Agreement: The Leniency Agreement with the Ministério Público Federal (MPF) is not limited to a specific term.

Q7 Has Rolls-Royce co-operated with these investigations?

A7 Yes. Rolls-Royce has co-operated fully and extensively with the authorities throughout these investigations and will continue to do so.

The DoJ has said we received full credit for our co-operation. The Leniency Agreement records our co-operation with the MPF's investigation.

The UK agreement records that we "committed to a course of full and extraordinary co-operation".

Q8 Has Rolls-Royce pleaded guilty to criminal offences in the agreements?

A8 No. The DPA process does not require us to plead guilty to any charges, but it does require us to agree that the conduct set out in the statement of facts is true.

As a result, we have not been found guilty, nor have we pleaded guilty to any criminal charges.

Q9 What happens at the end of the Term (of the DoJ, SFO, MPF agreements)? Can you be prosecuted then?

A9 If we fully comply with all our obligations, the DPAs entered into with the SFO and DoJ will end and no criminal prosecution will be brought by the SFO or the DoJ in future for the conduct set out in the Statements of Facts. The Leniency Agreement with the MPF is not limited to a specified term.

Q10 What constitutes breach of the agreements?

A10 Any breach of the agreements' terms. If we fail to comply with our obligations the company could be prosecuted in the UK or the US and subject to civil action in Brazil.

Q11 Can you be prosecuted by the DoJ/SFO/MPF for other past conduct which is not in the agreements?

A11 The authorities have conducted thorough investigations into past conduct and we have co-operated fully. Those investigations have resulted in the comprehensive agreements announced today. We are committed to meeting our obligations under the agreements and believe this will bring these matters to a close.

Q12 Can you still be prosecuted by the SFO or the DoJ if you break the law in future?

A12 Yes – either if we breach these agreements (in which case we could be prosecuted for the conduct set out in the Statement of Facts) or for future misconduct.

Q13 Can these agreements be appealed/will you appeal them?

A13 No. These are voluntary agreements and as such will not be appealed

Q14 Can you confirm the identities of the Employees and Intermediaries involved and referred to in the agreements?

A14 No. For legal reasons, Rolls-Royce is unable to comment on the specific conduct set out in the Statement of Facts included in the collective agreements

Q15 Are any of those involved/implicated in the illicit behaviour still employed by Rolls-Royce?

A15 We have taken robust and decisive action wherever we have found the rules to have been broken, which has resulted in a number of people leaving the business. We are making no further comment.

Q16 Are any of the intermediaries implicated still used?

A16 No.

Q17 How do you expect to win future business

A17 Firstly, the strength of our technology is unchanged.

Secondly, we have taken responsibility for our past conduct and as CEO Warren East has said we will emerge a more trusted, resilient and better managed business.

The past practices that have been uncovered do not reflect the manner in which Rolls-Royce does business today. We now conduct ourselves in a fundamentally different way and we have zero tolerance of business misconduct of any sort.

We have taken extensive action to strengthen our ethics and compliance procedures so that high standards of business conduct are embedded as an essential part of the way we do business.

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