



17 January 2017

## **ROLLS-ROYCE COMPLETES AGREEMENTS WITH INVESTIGATING AUTHORITIES**

- Agreements reached with UK Serious Fraud Office (SFO), US Department of Justice (DoJ) and Brazilian Federal Prosecution Service (MPF)
- Rolls-Royce CEO Warren East declares past behaviour completely unacceptable and reaffirms zero tolerance of business misconduct
- All three agreements record Rolls-Royce's co-operation, with the UK agreement specifically noting Rolls-Royce's 'full and extraordinary co-operation' with the SFO
- Rolls-Royce will emerge a more trusted, resilient and better managed business

Rolls-Royce announces that it has entered into a Deferred Prosecution Agreement (DPA) with the UK's Serious Fraud Office (SFO) with the approval of the President of the Queen's Bench Division (The Right Honourable Sir Brian Leveson) and published by the SFO.

Rolls-Royce has also reached a DPA with the US Department of Justice (DoJ) and a Leniency Agreement with Brazil's Ministério Público Federal (MPF).

These agreements relate to bribery and corruption involving intermediaries in a number of overseas markets, concerns about which the company passed to the SFO from 2012 onwards following a request from the SFO. These are voluntary agreements, which result in the suspension of prosecution provided that the company fulfils certain requirements, including the payment of a financial penalty. The agreements will result in the total payment of £671m\*.

Warren East, Chief Executive, Rolls-Royce, said: "The behaviour uncovered in the course of the investigations by the Serious Fraud Office and other authorities is completely unacceptable and we apologise unreservedly for it. This was unworthy of everything which Rolls-Royce stands for, and that our people, customers, investors and partners rightly expect from us."

“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. We have zero tolerance of business misconduct of any sort.”

Ian Davis, Chairman, Rolls-Royce added: “We have co-operated fully with the authorities and will continue to do so. The Board has taken extensive action to strengthen ethics and compliance procedures across the company so that high standards of business conduct are embedded as an essential part of the way we do business.”

“We share a determination to see that Rolls-Royce comes out of this episode as a more trusted, resilient and better managed business that ‘wins right’ every time. Our underlying technologies and skills are as strong as ever and we are well positioned in long-term growth markets.”

Under the terms of the DPA with the SFO, Rolls-Royce will pay £497,252,645 plus interest under a schedule lasting up to five years, plus a payment in respect of the SFO’s costs.

SFO Payment Schedule	
Shortly after final judicial approval in the UK	Payment in respect of the SFO’s costs
By 30 June 2017	£119,000,000
By 31 January 2019	£100,000,000
By 31 January 2020	£130,000,000
By 31 January 2021	£148,252,645

Rolls-Royce has also agreed to make payments to the DoJ totalling \$169,917,710 and to the MPF totalling \$25,579,179. As a result, total payment by Rolls-Royce in the first year of all three agreements is expected to be £293m\*.

Rolls-Royce reports its full year 2016 results on 14 February 2017 and an appropriate update on the implications of these settlements will be provided at that time. Early indications are that the Group has had a good finish to the year with both profit and, in particular, cash expected to be ahead of expectations.

Rolls-Royce has co-operated fully and extensively with the authorities and all three agreements record Rolls-Royce’s co-operation, with the UK agreement specifically noting our “full and extraordinary co-operation” with the SFO’s investigation. We have taken decisive disciplinary action where the rules have been broken. This has resulted in a number of people leaving the business and we no longer use any of the intermediaries who have been implicated.

We have implemented an extensive action programme to embed ethics and compliance at our heart and transform our business culture, including:

- Setting clear standards for the behaviours we expect of our people and those we do business with
- Implementing revised and new ethics and compliance policies covering areas including anti-bribery and corruption, offset, gifts and hospitality and lobbying
- Recruiting a senior team of ethics and compliance experts
- Training ethics and compliance specialists across our business and introducing an extensive training programme for employees
- Encouraging employees to report any concerns and creating new channels including a 24-hour Ethics Line available worldwide
- Reducing dramatically the number of intermediaries that we use across the world and ensuring that those advisers that we do retain meet our high ethical and compliance standards and understand exactly what is expected of them

All this work has been overseen by one of the world's most respected authorities in this field, Lord Gold, who was appointed in 2013 and continues to work with Rolls-Royce. He reports back to the Board regularly on progress and when he completes his final report we will publish it.

For legal reasons, Rolls-Royce cannot make any comment on the agreed Statements of Facts, published by the investigating authorities, nor on the identity of any intermediaries or employees.

A full statement alongside broadcast-quality video and audio is available for download from the Rolls-Royce website.

This announcement has been determined to contain inside information.

\* at current exchange rates

### **About Rolls-Royce Holdings plc**

1. Rolls-Royce's vision is to be the market-leader in high performance power systems where our engineering expertise, global reach and deep industry knowledge deliver outstanding customer relationships and solutions. We operate across five businesses: Civil Aerospace, Defence Aerospace, Marine, Nuclear and Power Systems.
2. Rolls-Royce has customers in more than 150 countries, comprising more than 400 airlines and leasing customers, 160 armed forces, 4,000 marine customers including 70 navies, and more than 5,000 power and nuclear customers.
3. We have three common themes across all our businesses:
  - Investing in and developing engineering excellence
  - Driving a manufacturing and supply chain transformation which will embed operational excellence in lean, lower-cost facilities and processes

- Leveraging our installed base, product knowledge and engineering capabilities to provide customers with outstanding service through which we can capture aftermarket value long into the future.
4. Annual underlying revenue was £13.4 billion in 2015, around half of which came from the provision of aftermarket services. The firm and announced order book stood at £79.5 billion at the end of June 2016.
  5. In 2015, Rolls-Royce invested £1.2 billion on research and development. We also support a global network of 31 University Technology Centres, which position Rolls-Royce engineers at the forefront of scientific research.
  6. Rolls-Royce employs over 50,000 people in more than 46 countries. More than 16,000 of these are engineers.
  7. The Group has a strong commitment to apprentice and graduate recruitment and to further developing employee skills. In 2015 we employed 228 graduates and 277 apprentices through our worldwide training programmes.

[www.Rolls-Royce.com](http://www.Rolls-Royce.com)

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