

UK Ethnicity Pay Report 2023

Rolls-Royce Holding plc



Choosing to report our 2023 ethnicity pay gaps

We are voluntarily publishing our ethnicity pay gap for the third time running in 2023 and will publish this each year going forwards. We have followed the gender pay gap reporting methodology and have used the same snapshot date of 5 April 2023; however, we have changed the way of presenting the outcomes based on the recently published, first Gov.uk guidance.

Our ethnicity pay gap is primarily driven by two factors – relatively low representation of employees from ethnic minority backgrounds at senior levels, and higher levels of representation in junior professional and factory staff roles. We continue to strive to create an inclusive working environment where each of us is able to be at our best and are working hard to ensure that we are an inclusive employer at all levels of the organisation. We are focused on increasing representation of ethnic minorities within our workforce generally in order to better represent the communities where we work, and in

addition to this we have set a publicly disclosed target of 14% of our UK workforce having ethnically diverse backgrounds by 2025. Our four pillar D&I strategy is focused on how we attract, recruit and retain diverse talent, as well as how we create the right environment by providing the right leadership and governance to build diverse teams.

A key element of our strategy is to support and partner with our Employee Resource Groups (ERGs) – employee groups who join together based on a similar demographic, lifestyle and cultural characteristics. Our ERGs work together for a common goal in supporting diversity and inclusion in our organisation. Run by our people for our people, they offer direct support, personal and professional development, and are critical in driving our strategy across the organisation. Our ERGs allow the voices of all our people to be heard, which helps encourage diverse ideas and ultimately enables us to deliver business excellence.

Our Workforce

Rolls-Royce's ethnicity pay gap data was collected on the snapshot date of 5 April 2023. At this time there were 20,513 people within our UK workforce. 87.4% (17,937) of our people openly disclosed their ethnicity to us. Of those, 88.8% (15,925) are white (including white

British, white Irish and any other white backgrounds) and 11.2% (2,012) are from other ethnic backgrounds (1.3% up from 2022). We are pleased to have such high voluntary disclosure rates to help us to monitor our progress as an organisation.

Pay difference in between ethnic groups /all our full paid relevant Rolls-Royce employees in the UK as of 5th April 2023/

Our mean ethnicity pay gap

We add together all the hourly pay rates of colleagues who report their ethnicity as being a certain ethnicity group. We then divide this total pay figure by the number of individuals in each ethnicity groups. Comparing these figures to each other is the mean ethnicity pay gap. For example, in 2023, the average pay for an Asian person was 8.26% less per hour than the average pay for a white person; whilst it was 6.05% more per hour than the average pay for a person from the black ethnic group. These gaps mean that on average for every £1 an Asian person earns, a white person will earn 108.26p, whilst a person from the black ethnic group will earn 93.95p. We are working to improve representation of employees from ethnically diverse backgrounds at all levels within our organisation but increasing representation in senior roles will be key to closing the pay gap. We are focusing on the development of internal talent pools and external recruitment to do this.

Our median ethnicity pay gap

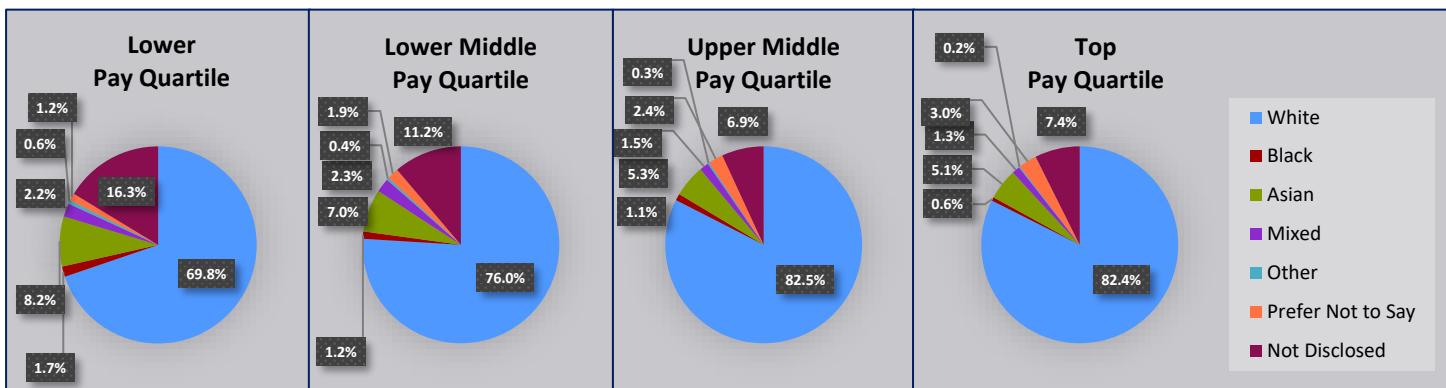
We rank all our colleagues by their hourly pay within each ethnicity group and pick the employee with the hourly rate in the middle of the pay range of each group. Comparing these middle figures from all ethnicity groups to each other is the median ethnicity pay gap. For example, in 2023, the person in the middle of our mixed ethnic group's pay range received 7.6% less than the person in the middle of our white ethnic group's pay range but 3.51% more than the person in the middle of our black ethnic group's pay range. These median gaps indicate that on average for every £1 a mixed ethnicity person earns, a white ethnicity person will earn 107.60p and a black ethnicity person will earn 96.49p. We have a variety of mechanisms to ensure consistency of reward for equivalent roles or the same work. These include fixed rates in our manufacturing sites and a structured approach to job sizing and pay determination in other areas of the business. The ethnicity pay gap reflects the distribution of people from different ethnic backgrounds across all job levels of the organisation, and how this translates into the average salary and bonus payments.

Mean Pay Gap	White	Black	Asian	Mixed	Other	Prefer Not to Say
Black	13.49%					
Asian	8.26%	-6.05%				
Mixed	9.19%	-4.98%	1.01%			
Other	13.12%	-0.42%	5.30%	4.34%		
Prefer Not to Say	-6.92%	-23.60%	-16.55%	-17.74%	-23.08%	
Not Disclosed	8.87%	-5.34%	0.67%	-0.35%	-4.90%	14.77%

Median Pay Gap	White	Black	Asian	Mixed	Other	Prefer Not to Say
Black	10.74%					
Asian	6.25%	-5.03%				
Mixed	7.60%	-3.51%	1.44%			
Other	11.12%	0.42%	5.19%	3.80%		
Prefer Not to Say	-5.47%	-18.17%	-12.51%	-14.15%	-18.67%	
Not Disclosed	10.74%	0.00%	4.79%	3.40%	-0.42%	15.37%

Pay Quartile Distribution /all our full paid relevant Rolls-Royce employees in the UK as of 5th April 2023/

Ethnicity distribution in four equally sized hourly pay quartiles



Those from the white ethnic group currently represent 77.63% of our UK employees. The pay quartile data shows that white employees are underrepresented in the lower quartiles and overrepresented in the upper quartiles. The data shows opposite trend for Ethnic Minority employees as their representation lowers in the upper pay quartiles. The data also indicates that we lack ethnicity data for employees in the lower quartiles; however, employees in the upper quartiles are more likely to prefer not to share their ethnicity.

Overall, the representation of ethnic minorities has grown from 2022 to 2023; however, we need to continue our focus on attracting diverse talent across the organisation, particularly into senior roles, and continue to develop our own diverse talent pools. Over recent years we've been successful at increasing the number of apprentices and graduates from ethnic minority groups. In the short term this will increase the proportion of those in the lower quartile pay group, but as these employees take on substantive roles, we have every confidence that their pay and bonus will increase.

In the UK we have incentive plans in place for employees at all levels, which accounts for our high percentages of bonus inclusion. Bonus payments for 2022 (paid in 2023) were made across all our sub-units.

Bonus difference in between ethnic groups /all our relevant Rolls-Royce employees in the UK as of 5th April 2023/

The mean and median bonus gap calculations were made the same way as for the hourly pay gap calculations; just with bonuses paid in the 12 months running up to 5th April 2023 instead of what was paid in the payroll period of the snapshot date.

The bonus gaps are primarily driven by ethnic minority employees being overrepresented in the lower pay quartiles, which attracts lower on-target bonuses; while being underrepresented in the upper pay quartiles, which are primarily leadership roles that attract higher on-target bonuses and Long-Term Incentive plans. This also explains the difference between the mean and median bonus gaps. A few employees with much higher bonus payments make the mean bonus gap figures larger than the median bonus gap figures.

Mean Bonus Gap	White	Black	Asian	Mixed	Other	Prefer Not to Say
Black	48.00%					
Asian	21.11%	-51.72%				
Mixed	28.45%	-37.61%	9.30%			
Other	24.26%	-45.66%	3.99%	-5.85%		
Prefer Not to Say	-13.19%	-117.69%	-43.48%	-58.19%	-49.45%	
Not Disclosed	31.92%	-30.93%	13.70%	4.85%	10.11%	39.85%

Median Bonus Gap	White	Black	Asian	Mixed	Other	Prefer Not to Say
Black	6.56%					
Asian	-3.03%	-10.26%				
Mixed	8.07%	1.62%	10.77%			
Other	-2.88%	-10.10%	0.14%	-11.91%		
Prefer Not to Say	-21.99%	-30.55%	-18.41%	-32.70%	-18.57%	
Not Disclosed	8.34%	1.90%	11.03%	0.29%	10.91%	24.86%

Continuing our focus on Diversity and Inclusion

This year we have matured our diversity and inclusion strategy, driving towards our challenging ethnicity 2025 targets, through our four key pillars: leadership & governance; attracting & recruiting; engagement & retention; and development.

We cannot compare our ethnicity pay gap to previous years' results due to the new layout of the report; however, we will be able to do so from 2024 onward. The current data indicates pay and bonus gaps not just between white and minority groups, but in between different minority groups too. We would expect this to reduce further over time as our inclusive hiring campaign and career development measures increase overall representation, particularly in professional and leadership roles.

We have proportionately fewer employees from ethnic minority backgrounds in leadership roles, which is driving the significant mean bonus gaps; however, the median bonus figures indicate much lower or no gaps. The proportion of employees receiving a bonus is high across all employee groups, as we have incentive plans in place for colleagues at all levels in the organisation.

Globally, by April 2023 our ethnic minority representation has increased to 11% vs 2021 (+1%) and 16% vs 2021 (+2%) in the UK and US respectively.

We still have much work to do, and our focus remains on continuing to improve the proportion of ethnic minority representation throughout all pay quartiles. Moving forward we are looking to adopt a more holistic approach to driving systemic change. We are determined to increase the diversity of our workforce and working together to create a company where every person can belong.

We have been recognised in our efforts placing 30th in the Top 50 Inclusive Companies Award 2023 and being recognised by Investing in Ethnicity in the workplace 2023 as a Top 25 employer.

We confirm the data reported is accurate



Tufan Erginbilgic
CEO