1 Update on events

We fully acknowledge the difficult times our members are in across Civil Aerospace – in particular at Inchinnan MRO. The betrayal of Inchinnan is devastating for the workforce but also illustrates brutally the strategy of the company. With the reduction in load that all factories are facing, the company decision is to “strengthen Joint Ventures and external Authorised Maintenance Centres to deliver maximum global support”, rather than Rolls Royce owned facilities. Even though seniors in the company have said in the last week that the Inchinnan MRO workforce is, “second to none and one of our most flexible”, this does not help our members there but is a stark message to the rest of us that profit over people is what will drive future decisions.

Unfortunately, every meeting with the Company is a battle - none more so than reaching a ‘national agreement’ on Voluntary Severance, after reaching agreement we discovered these terms would not apply to Ross Ceramics (staff) or Controls in Solihull. At no point during negotiations did they suggest it would not be applicable to everyone. Incompetence or underhandedness throttles every single discussion.

2 Failure to Agree (FTA)

The FTA meeting took place on Wednesday 27th May.

It was clear there remains a huge amount of mistrust on both sides. They specifically mentioned they have issues with these communications to our members, but we shall continue to provide our honest and factual view of events and cannot provide the illusion of ‘working together’ - because it is not true.

The meeting took six and half hours to reach some points of understanding - not a conclusion - and stands adjourned until we reconvene on the 19th June.

On the vote of confidence in Warren East, we stated that we had misgivings before the COVID-19 crisis and raised his infamous interview with the BBC. We requested that he provides a direct apology to his employees. The ball is now in his court to address this point and it will be for you to decide if it's satisfactory.

On the attack on British jobs, we still await a meeting with the company to challenge why the UK is clearly taking the brunt of the reductions compared to the global network. The only discussion we have had to date on this subject was that any information (when it is provided) would be covered by a non-disclosure agreement (NDA) - so much for transparency.

Following the FTA meeting it took another two days with solicitors from both sides involved to reach an agreed outcome (Appendix 1).

Still on the table is the forthcoming attack on our Terms and Conditions. They even registered they want to talk about different (i.e. worse) terms and conditions for new starters – just 24 hours before they had intended to issue the Section 188 notice declaring thousands of us surplus to requirements. They were told exactly what we think of them using the full range of industrial language. And they still have the gall to refute the claim they are being opportunistic.

We expect the reconvened FTA meeting on the 19th of June to be a very difficult meeting.
3  Job Losses

On Monday 1\textsuperscript{st} June we were informed of the numbers to be reduced in Civil Aero. We were told the figures would not be finalised until the following day and the information was under embargo until the Company announcement.

To be absolutely clear, the majority of the numbers in Phase 1 are load reductions for 2020 (with the exception of engineering which include indicative figures for 2021). We have not been provided with any numbers for Phase 2 – which we believe will also include site closures and footprint consolidation. The Company informed us they are still working on the detail which may take until August.

\textbf{We believe the Company knows exactly what it wants to achieve but is refusing to tell anyone.}

4  Voluntary Severance

It took until 5pm on Tuesday 2\textsuperscript{nd} June to agree the Voluntary Severance (VS) arrangements.

There have been some negotiated changes:

- A weekly pay cap of £743 will be applied (2020 inflation indexation not applied)
- The early acceptance supplement (£2000) will not be paid, but will be replaced with a 2.5% applied to the calculated redundancy value (i.e. excluding notice pay)
- Holiday payments to be calculated based upon holiday accrued at the date of leaving, instead of year end.
- Payment for part-timers will be as per current calculation terms.

In order to incentivise recent starters to consider VS, we requested that a minimum payment of £6000 is applied for anyone leaving, as the Company has recruited a considerable number of people in the last few years. We argued it should also apply to apprentices who may not have a job at the end of their apprenticeship. It will come as no surprise that this was brushed away without a second thought.

5  Pensions

To help incentivise employees with longer service, as part of the VS talks, we have also negotiated a package of flexible options aimed at Defined Benefit (final salary) scheme members – copied at Appendix 2. These are subject to agreement by the Trustees later this week.

You will see ‘force majeure’ mentioned towards the bottom of Appendix 2. This is because the Total Reward Package agreed in 2017 included a Defined Benefit scheme accrual guarantee until January 2024. Within that agreement there was a ‘force majeure’ clause, which is when unforeseeable circumstances prevent someone from fulfilling a contract.

Due to current Company finances and yet another drop in the Company credit rating, this clause is to be enacted at some point later this year. It is therefore highly likely that consultation on the closure of the Defined Benefit scheme will take place after the enactment.

\textbf{This issue is yet to be discussed by the TU Pensions Central Negotiation Committee (CNC) and Trustees.}

We will keep you updated on this important topic when we have more information.
6 Lobbying Activities

A National TU Lobbying team have been organised and are actively seeking the assistance of government. On the 4th of June a successful meeting was held with ~15 MPs that have a RR facility (or employees) in their constituency.

A Unite briefing document has also been produced and sent to every MP in parliament (Appendix 3). As well as outlining details on RR and its disproportionate attack on British Jobs, it also requests the government provides support for the entire Aerospace industry, with conditional support and commitment to the UK workforce before we see any more sites and Companies closed.

The group, along with Unite and the GMB, will continue to engage all stakeholders across the political spectrum to try to save as many jobs as possible.

7 Next Steps

We will be in discussions later today to address which terms apply to Solihull and Ross Ceramics (staff).

It is clear the Pension Department cannot cope with the number of enquiries and we will be in meetings later today to register our dismay at the lack of foresight by the company to deal with such numbers and discuss what needs to be put in place.

We will also be registering our concerns as to the disgraceful lack of consistency on how those furloughed, on isolation lockdown or on sickness absence have received their impact communication, details of VS and pension options.

The two points above are totally disrespectful and unacceptable.

The terms identified above in section 4 above have only been agreed for voluntary severance and not compulsory redundancies.

Later this week we will commence talks regarding national redundancy terms and procedures. These talks will identify the selection process including pooling and matrices that will be followed along with severance payments and timescales for when compulsory redundances are declared. We anticipate the Company will attempt to impose the government minimum if we cannot reach agreement on compulsory redundancy terms. Is this the company’s idea of treating you all with dignity and respect…?

In addition to the above we will be in talks on a number of subjects across several workstreams including the terms of Phase 3 Furlough. At present we have agreed Phase 2 Furlough (80% of base/AIR/Shift pay) will be extended to the end of July. Beyond this point new terms will have to be negotiated to fit with the latest government job retention scheme updates.

The Trade Unions have continued to state that we will work with the company to do all we can to encourage and support our members who want to apply for voluntary severance.

We want to reiterate that we do not wish to be on a collision course with the Company at this difficult time and we will remain pragmatic and professional. But if their actions are disproportionate and unreasonable, we will do whatever it takes to fight for our members interests.

Stay strong and remember the only source of fact and truth is via these newsletters.
All our communications can be seen using the following Link:


Thank you for your continued support.

Steve Hibbert        Ian Wilson
Tam Mitchell         Mark Porter
Ian Bestwick         Steve Jones
Mahf Khan            Stuart Hedley
Appendix1 (output of the adjourned FTA)

In the spirit of working together the company and the union have agreed the following:

Given the costs savings that need to be achieved in light of the current COVID 19 crisis and in the spirit of working together the Company and the Union(s) have agreed the following:

- A voluntary severance programme will be opened in the UK.

- Given the number of people who will potentially be exiting via this voluntary programme the company believes it is prudent to submit a high level HR1 with covering letter to the Secretary of State on Friday 29 May 2020, to enable government to prepare support for leavers where necessary. This will detail that the company is hoping to achieve the costs savings required in the UK by way of mutual terminations through the voluntary severance programme.

- The voluntary severance programme will be open for applications from 3 June 2020 until at least 26 June 2020.

- The union(s) will work with the company to do all it can to encourage its members who want to do so to apply for voluntary severance.

- There is no requirement to provide S188 TULR(C) Act at this stage and that by not providing this information the company is not failing in its obligations under S188 TULR(C) Act.

- The first individuals who will leave by way of mutual consent can leave from 15 July 2020 onwards.

- Irrespective of any other consultation meetings, the company, the union(s) and employee representatives will meet again on 19 June 2020 to review the uptake of the voluntary severance programme.

- The company is committed to discharging its obligations to engage in meaningful consultation. The Union(s) notes this whilst reserving its right to challenge the lawfulness of the consultation under the TULR(C)A

- The company anticipates that it will be in a position to have developed a proposal relating to potential compulsory redundancies by mid July 2020 as they review the on-going impact of COVID 19 on the business. If the company develops such a proposal which, without mitigation, would lead to compulsory redundancies, the union(s) agree that from submission of the S188 information a 45-day consultation period will be entered into with the first compulsory exit occurring no earlier than the 46 day after submission of the S188 information. This is temporary departure from the National Redundancy Memorandum of Understanding due to the COVID19 crisis and sets no precedent.
## Appendix 2

<table>
<thead>
<tr>
<th>Area of Discussion</th>
<th>Company Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Are there any further potentially helpful options?”</td>
<td>Yes, subject to Trustee agreement, we could offer:</td>
</tr>
<tr>
<td>(Subject to Trustee agreement)</td>
<td>• an extended period for members to consider their pension options, e.g. rolling 12 months from date of leaving. These would be on the same terms as active members for bridging pension eligibility, WPSA support, “with consent” early retirement terms and SoFTV eligibility. Further details to be confirmed as to what guarantee lock in arrangements would apply for SoFTVs.</td>
</tr>
<tr>
<td></td>
<td>• Members with bridging pensions will be able to request a further conversion if state pension age is raised by Govt in the future. This would be self-funded.</td>
</tr>
<tr>
<td></td>
<td>• Members now considering VS but who have already locked in a SoFTV guarantee can retraction in order to consider VS options. Guarantee will completely fall away. Terms to be agreed with Trustee.</td>
</tr>
<tr>
<td></td>
<td>These protections and extensions will also apply to employees leaving on compulsory redundancy. SoFTV basis as consistent for all eligible for SoFTV.</td>
</tr>
<tr>
<td>“Could a partial transfer option be available to Staff and Works members?”</td>
<td>Members will need to take IFA advice. This option would also apply to employees leaving on compulsory redundancy. This is subject to Trustee agreement.</td>
</tr>
<tr>
<td>(Subject to Trustee agreement)</td>
<td></td>
</tr>
<tr>
<td>“Could the Share of Fund TV be available for all leavers?”</td>
<td>Individuals need to be eligible for retirement (e.g. aged 55 or over). However, subject to Trustee agreement, we would support:</td>
</tr>
<tr>
<td>(Subject to Trustee agreement)</td>
<td>• exRRPF members between 50 and 55 to be eligible for SoFTVs. Possible for WPSA to arrange ‘buddy transfers’ as RRPF members had a protected minimum retirement age of 50.</td>
</tr>
<tr>
<td></td>
<td>• 12 month protection on current terms (see above) would apply to people who reach age 55 (or 50 for exRRPF) on rolling 12 months from date of leaving.</td>
</tr>
</tbody>
</table>

The following points will apply subject to confirmation from the CNC that the force majeure tests in the 2016 and 2018 MOUs have been met

| “Can any beneficial agreements as part of the Strategic Review apply to members taking VS now?” | Yes. We are prepared to commit to include members who have exited on VS (or compulsory redundancy) in any enhancements agreed and implemented in 2020 as part of the Strategic Review/Consultation. |
| “Could the Share of Fund TV be available for all leavers?” | We are prepared to discuss a permanent extension of SoFTVs below age 55 as part of the Strategic Review. |
Mass redundancies and off-shoring must be stopped

About Rolls Royce

Rolls Royce is a UK company with a global footprint, with significant presences in Germany, USA, and Singapore. More recently it has been growing its bases in Poland, India and China.

The business is split into three entities: civil aerospace; defence; and power systems (predominantly in Germany).

Over half of Rolls Royce’s £15.3bn turnover arises from the civil aviation side of the business and around £3.25 billion is from the defence side, much of it derived from the UK Ministry of Defence (MoD) for the supply of equipment and support to the RAF and the Navy in its submarines business, frigates and aircraft carriers.

Rolls Royce employs over 52,000 people globally, of which 23,000 are UK employees, which is 44 percent of the entire workforce (down from 64 percent in 2000 when the total global employee numbers were 43,700). This workforce is a major contributor to the Exchequer via employee tax receipts.

Its major sites are in Inchinnan (near Glasgow), Washington, Barnoldswick, Derby, Ansty and Bristol.

Its turnover has grown from £5.8 billion to £15.3 billion in the 20 year period since 2000.

Mass redundancies

Recently, Rolls Royce announced plans to cut headcount by a further 9,000 at RR. The majority of these job cuts are expected, again, to fall on the UK workforce including 1,500 in Derby and 700 in Inchinnan in Scotland, which is over 50 percent of the workforce. These will be swiftly followed by redundancies throughout the supply chain, some which have already been announced.

Unite anticipates that, without government intervention, the company will seek to cut 3,375 jobs in 2020 with more to follow in 2021.

The mass redundancy programme, which Unite has condemned as against the aims of the job retention scheme, will devastate communities across the UK, and 156 apprentices will be unable to secure a full-time role within the company on completion of their training.

It is hard not to conclude that Rolls Royce prefers to offshore UK jobs than to work with sector partners to recover and rebuild for the future.

Rolls Royce, a key player in defence aerospace in the UK

Rolls Royce’s civil defence business employs around 3,500 direct workers in the UK, producing and developing engines and components for the Eurofighter, Typhoon, the Tempest Project and the MT30 and TP400.

The Defence Aerospace business significantly benefits from cross fertilisation of ideas and technology that flow between Civil and Defence, creating substantial cost synergies, which is reflected in the pricing to the UK MoD.
Any erosion of the civil business could not only impact defence pricing but could place the UK’s sovereign capability and future “freedom of action” at risk, if revised pricing forced the MoD to buy off the shelf from overseas.

Bristol is the main Rolls Royce defence site but most of the business’s civil sites also produce components for the defence arm of the business.

Rolls Royce’s recent history – taxpayers’ support paid back with UK redundancies
In 2015/16, Rolls Royce announced a redundancy programme of 2,600 people of which circa 1,900 were UK employees. Three months later the company announced the creation of 500 jobs in India.

In 2018, another transformation programme was announced with a reduction of 4,600 jobs. To date around 2,600 have left the business, of which around 2,000 were UK-based employees.

In addition to the headcount reduction, large numbers of employees (circa 2,300, the vast majority, if not all, UK workers), were grouped into the newly created Global Business Services (GBS). The GBS provides the support services embracing the HR and health and safety functions, which will be systematically outsourced mainly outside the UK, predominantly to India and Poland. This process has already begun.

Furthermore, around 1,800 UK contractors (a mixture of agency and self-employed) have been released in the last 18 months while the number of overseas contractors has increased, thus another big loss to the exchequer.

Over the last 20 years, Rolls Royce has received UK government support of £670 million pounds for various projects mainly related to research and development.

Rolls Royce takes UK taxpayers’ money for R&D but this very rarely results in the creation of UK jobs as the manufacturing and production support is then offshored or outsourced.

Some of the more recently supplied funding, such as support for the Ultra-Fan (the next generation engine programme), has guaranteed UK manufacturing content for a period of five years, although we have no details as to the scale of this government support or whether this will provide secure employment here in the UK.

Further recent support was provided at the end of 2019 for continued development of the Small Modular Reactors (SMR), which was around £18 million and the request from RR being to provide a further £500 million in a risk and reward arrangement to put the SMRs into production with an estimated export potential of £420 billion over the next 20 years.

The Economics of Aerospace
The government’s aerospace sector deal (published in February 2020) reported in February 2020 that the industry directly employs 120,000 people and has an annual turnover of £35 billion, the vast majority of which comes from exports. The chief clients are the global airlines.

It is also the foundation and driver of growth with pre-Covid 19 estimations of 38,000 aircraft for the civil aviation sector required over the next 20 years, the value of which stood at £4.65 trillion.

Rolls Royce accounts for 2 percent of UK GDP exports. This could be more but Rolls Royce makes only 20 percent of its engine components in the UK.

For every direct job in the sector, it is estimated there are four more supported in the supply chain. The UK aerospace sector is second only to the USA in size, and in an increasingly challenging global arena, its contribution to national security as well as the scale of the economic and employment benefits, our in-country aerospace sector, including Rolls Royce, is of strategic importance to our country.
Covid-19 and the aerospace sector
The COVID-19 pandemic is already having a catastrophic effect on the aerospace industry, and will last longer than the impact on most other business.

From airlines and airports to manufacturers, hundreds of thousands of aerospace workers have been placed on the furlough scheme. Rolls Royce itself has accessed an estimated £30 million of furlough support.

At this present time, the company has also obtained government-backed business loans in the region of £290 million.

UK aerospace urgently needs a sector support package
In recent years, UK taxpayers have invested heavily to support companies like Rolls Royce to play their part in establishing UK aerospace as a world-leader.

The impact of the pandemic threatens to sweep away the economic and national security benefits derived from the sector. One further concern that Unite has is that competitor nations, not all friendly to the UK, could use the frail state of the company to swoop to purchase and remove intellectual property of critical security interest to the UK.

Without government intervention, the effects will be devastating, long lasting and intergenerational.

Unite believes that a sector support package is urgently needed and is in the national interest. We, therefore, ask the government

- To provide the £500 million Risk and Reward funding for the SMR, tied to retention of UK jobs by utilising and reorganising the manufacturing plants to produce the components in-house. This will utilise skills, retaining the knowledge, people and skills, positioning the UK for the upturn in civil aerospace when it comes. The SMRs are also CO₂-free, thus contributing to the nation’s ability to meet the green energy targets while reducing emissions.

- That any support for airlines (which is needed) is caveated with continued commitment to aircraft fleet renewal using UK plants and workers. Cleaner, greener aircraft and engine production should also support UK manufacturers and supply chains while contributing to the environmental decarbonisation targets set by the Paris agreement and the UK government’s own targets.

- To continue to support the next generation fighter aircraft Tempest programme; this will provide jobs for the displaced civil aerospace workforce. This will also assist in maintaining sovereign capability and provide “freedom of action” in an increasingly unstable world.

- To create pan-business legislation to facilitate the loaning of employees from business to business, or business to public sector, aiding skills retention. This will ensure that the workforce can continue to contribute to the UK economy via continued tax receipts, instead of a welfare cash drain via increased unemployment.

- To enact training and development schemes in preparation for the new digital future, providing employees with the skills for a new world to increase productivity to keep UK aerospace at the forefront of innovation and continuing its market leading position.

JUNE 2020