

Conflict Minerals – the Dodd-Frank Act

Originator: Kent Sharp
Job Title: Purchasing Compliance Officer
Business Unit: Quality – Supply Management

NTS Number: 344
Issue: 1
Date: 10 May 2013

For the attention of the Managing Director

Dear Sir or Madam,

Rolls-Royce is committed to sourcing responsibly and we wish to take this opportunity to inform you of United States of America (US) legislation regarding “Conflict Minerals” and the associated effect on the global supply chain.

Scope:

Potentially all suppliers, to all Rolls-Royce businesses, worldwide. See US Securities and Exchange Commission (SEC) ruling, below, for defined applicability.

Background:

In July 2010 the President of the United States of America signed into law the Wall Street Reform and Consumer Protection Act, also known as the Dodd-Frank Act. Although the focus of the Act is primarily financial market regulatory reform, it also imposes new requirements relating to “Conflict Minerals.”

Conflict Minerals are defined as:

- Columbite-tantalite (ore from which Tantalum is extracted)
- Cassiterite (ore from which Tin is extracted)
- Wolframite (ore from which Tungsten is extracted)
- Gold, and/or any other mineral or its derivatives determined by the US Secretary of State to be financing conflicts in the Democratic Republic of Congo (DRC).

The Congressional concerns are that revenues obtained from the mining and transportation of “Conflict Minerals” could be used against the desire of the US and its allies to finance the on-going conflict in the DRC and surrounding countries, resulting in a humanitarian crisis.

The legislation requires publicly traded (i.e., SEC-registered) companies to report annually to the SEC on (a) their worldwide use of “Conflict Minerals” in products they manufacture or contract to manufacture, and (b) the actions of their supply chains in identifying the use of “Conflict Minerals,” identifying the country of origin for any “Conflict Minerals,” and determining whether “Conflict Minerals” from the DRC region are “conflict free” (i.e., they do not directly or indirectly finance armed groups through mining or mineral trading in the DRC region).

These requirements apply to US and non-US suppliers and may include reporting by companies that are not SEC registrants, if they are determined to be members of the manufacturing supply chain for an SEC registered company.

The reports filed by Rolls-Royce are subject to independent third-party audit, therefore proper documentation of information related to your supply chain is essential.

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Introduction:

Rolls-Royce is conducting global due diligence to ascertain the exact source and chain of custody for the minerals/metals listed in the Act and as such requires your cooperation to obtain source information. It is critical to identify the smelters and refiners of minerals in your supply chain to determine whether the materials or products contain “Conflict Minerals” that originate in the DRC or adjacent countries. Material specifications may be found in the raw periodic table delimitation. This compliance effort also includes the packaging that each company uses and any advertising products that the company distributes.

Action Required:

All suppliers who supply “product” (in accordance with the definition below) to Rolls-Royce businesses must submit a fully completed survey electronically to Phillip Myers **no later than the close of business on Monday 1st July, 2013**, using the following address: ConflictMinerals@Rolls-Royce.com

Rolls-Royce efforts related to conflict minerals are partially aligned to the work of the Electronic Industry Citizenship Coalition® (EICC®) and Global e-Sustainability Initiative (GeSI). Therefore we are using the Conflict Minerals Reporting Template which you can access via the following link:

<http://www.conflictreesmelter.org/documents/EICCGeSIDDtemplate.xlsx>

The Template provides a common industry approach for the collection of sourcing information related to conflict minerals. One area neither the requirement nor the guidance has clarified is the definition of “product.” As the requirement suggests the industry mandate this, Rolls-Royce feels the good faith meaning of the term “product” should mean the following:

- a) Any item or items that form part of the product that Rolls-Royce distributes or sells to an external customer is considered a “product.”
- b) Any consumable or item used in the production process that forms part of the final Rolls-Royce product is also considered a “product”. Examples are: spray powders, paints, welding wire, solder, brazing foils etc.
- c) Based on the SEC’s guidance on definitions, and the statement *“In this regard, we are modifying our guidance from the proposal such that, for a conflict mineral to be considered “necessary to the production” of a product, the mineral must be both contained in the product and necessary to the product’s production. We do not consider a conflict mineral “necessary to the production” of a product if the conflict mineral is used as a catalyst, or in a similar manner in another process, that is necessary to produce the product but is not contained in that product”*, Rolls-Royce does not consider things like coolants, abrasive blasting media, gel coats, etching acids (etc.) to be a “product” because they do not form part of the final product.
- d) And finally, Rolls-Royce’s position is that items like cutting tools, broach bars, electrodes, grinding wheels, jigs & fixtures (etc.) are classed as “tools” and therefore these items are also not considered a “product”, unless they fall under the definition of (a) above.

Notice to Suppliers



Rolls-Royce

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Questions regarding this topic may be submitted in writing, electronically to ConflictMinerals@Rolls-Royce.com until close of business on 1st July, 2013. The questions and responses will be available for all to view by accessing the following FAQs page:

http://www.cov.com/files/Publication/0fa984d4-e98d-4134-a740-ab5991452097/Presentation/PublicationAttachment/50dda815-7cda-480d-b5ad-b789dc17dfb2/Conflict_Mineral_Rules_Frequently_Asked_Questions.pdf

To learn more about the legislation and “Conflict Minerals,” please consult the following websites:

- SEC: <http://www.sec.gov/rules/final/2012/34-67716.pdf>
- EICC: <http://www.conflictreesmelter.org>

Regards,

For Rolls-Royce

Authorised by



Pernille Boisen
Chief Procurement Officer



Beverly Gaskin
Executive Vice President
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