



Rolls-Royce Power Systems AG and its group companies

DECLARATION OF PRINCIPLE - HUMAN RIGHTS STRATEGY



A Rolls-Royce
solution

INTRODUCTION

Rolls-Royce Power Systems' group-wide commitment to human rights and environmental protection

Rolls-Royce Power Systems AG (“**Rolls-Royce Power Systems**”), with its registered office in Friedrichshafen (Germany), is a worldwide supplier of propulsion and drive systems and distributed energy systems. The product range includes *mtu*-branded high-speed engines and propulsion systems for ships, for heavy land, rail, and defence vehicles, and for the oil and gas industry, as well as system solutions for electrical power supplies based around diesel and gas engines. The system solutions range from generator sets designed for the supply of stand-by, base load and peak load electrical power to high-performance combined heat and power (CHP) plants. In addition, Rolls-Royce Power Systems is increasingly positioning itself to meet the demands of a zero-emissions society with low-emission and zero-emission technologies for propulsion, energy generation and storage. The Rolls-Royce Power Systems group has a production, sales and service organization operating across the world. The largest single company in the Rolls-Royce Power Systems group is the Rolls-Royce Solutions GmbH (“**Rolls-Royce Solutions**”) with its registered office in Friedrichshafen (Germany). This declaration of principle explicitly extends to the entire Rolls-Royce Power Systems group, including any of Rolls-Royce Power Systems' subsidiaries and, in particular its largest subsidiary Rolls-Royce Solutions (together, the “**Rolls-Royce Power Systems Group**”).

The Rolls-Royce Power Systems Group, its Board of Management, executives, and employees (“**we**”) are committed to maintaining the highest ethical standards and strive to create a working environment where everyone at the Rolls-Royce Power Systems Group and everyone we work with can be at their best. This includes upholding global policies and processes to avoid any potential complicity in human rights and environmental law violations in relation to our operations or within our supply chains.

Our commitment to protect and preserve human rights as well as environmental-related rights in our operations and supply chain, includes:

- We conduct our business in an environmentally, ethically, and socially responsible manner, complying with applicable laws and regulations in the countries we operate. Furthermore, we integrate sustainability considerations into decision-making at Rolls-Royce Power Systems Group's organization.
- We work with suppliers and partners whose core values and commitment to ethical business conduct matches our own and require that they meet our human and environmental rights standards.
- We comply with the protected human rights and environmental interests and prohibitions under the German Act on Corporate Due Diligence in Supply Chains (*Gesetz über die unternehmerischen Sorgfaltspflichten in Lieferketten; Lieferkettensorgfaltspflichten-gesetz („LkSG“)*); this includes, in particular, the conventions listed by reference in section 2 of the German Act on Corporate Due Diligence in Supply Chains connection with its Annex and the protected legal positions specified therein.

Compliance with such prohibitions and the underlying human and environmental rights are safeguarded through our Rolls-Royce Power Systems' Global Code of Conduct and our Global Supplier Code of Conduct and further provisions for implementation are enshrined in our Rolls-Royce Power Systems' global Human Rights Policy, Health, Safety and Environment Policy as well as Diversity and Inclusion Policy that apply to all group companies.

Our human rights commitments and principles guide our approach to ensure that Rolls-Royce Power Systems' Group companies takes appropriate action to prevent, minimize, mitigate and, where necessary, remedy the human right and environmental-related risks as defined in section 2 of the German Act on Corporate Due Diligence in Supply Chains, which is based on the following international law agreements and conventions:

- Convention No. 29 of the International Labour Organization of 28 June 1930 concerning Forced or Compulsory Labour¹ and the Protocol of 11 June 2014 to Convention No. 29²
- Convention No. 87 of the International Labour Organization of 9 July 1948 concerning Freedom of Association and Protection of the Right to Organise³, as amended by the Convention of 26 June 1961⁴
- Convention No. 98 of the International Labour Organization of 1 July 1949 concerning the Application of the Principles of the Right to Organise and to Bargain Collectively⁵, as amended by the Convention of 26 June 1961⁶
- Convention No. 100 of the International Labour Organization of 29 June 1951 concerning Equal Remuneration for Men and Women Workers for Work of Equal Value⁷
- Convention No. 105 of the International Labour Organization of 25 June 1957 concerning the Abolition of Forced Labour⁸
- Convention No. 111 of the International Labour Organization of 25 June 1958 concerning Discrimination in Respect of Employment and Occupation⁹

- Convention No. 138 of the International Labour Organization of 26 June 1973 concerning the Minimum Age for Admission to Employment¹⁰
- Convention No. 182 of the International Labour Organization of 17 June 1999 concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour¹¹
- International Covenant of 19 December 1966 on Civil and Political Rights¹²
- International Covenant of 19 December 1966 on Economic, Social and Cultural Rights¹³
- Minamata Convention on Mercury of 10 October 2013¹⁴
- Stockholm Convention of 23 May 2001 on Persistent Organic Pollutants¹⁵, last amended by the decision of 6 May 2005¹⁶; and
- Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal of 22 March 1989¹⁷, as last amended by the Third Ordinance amending Annexes to the Basel Convention of 22 March 1989 of 6 May 2014¹⁸.

1 Federal Law Gazette 1956 II pp. 640, 641 (ILO Convention No. 29).

2 Federal Law Gazette 2019 II pp. 437, 438

3 Federal Law Gazette 1956 II pp. 2072, 2071

4 Federal Law Gazette 1963 II pp. 1135, 1136 (ILO Convention No. 87).

5 Federal Law Gazette 1955 II pp. 1122, 1123

6 Federal Law Gazette 1963 II pp. 1135, 1136 (ILO Convention No. 98)

7 Federal Law Gazette 1956 II pp. 23, 24 (ILO Convention No. 100)

8 Federal Law Gazette 1959 II pp. 441, 442 (ILO Convention No. 105)

9 Federal Law Gazette 1961 II pp. 97, 98 (ILO Convention No. 111)

10 Federal Law Gazette 1976 II pp. 201, 202 (ILO Convention No. 138)

11 Federal Law Gazette 2001 II pp. 1290, 1291 (ILO Convention No. 182)

12 Federal Law Gazette 1973 II pp. 1533, 1534

13 Federal Law Gazette 1973 II pp. 1569, 1570

14 Federal Law Gazette 2017 II p. 610, 611 (Minamata Convention)

15 Federal Law Gazette 2002 II pp. 803, 804 (POPs Convention)

16 Federal Law Gazette 2009 II pp. 1060, 1061

17 Federal Law Gazette 1994 II pp. 2703, 2704 (Basel Convention)

18 Federal Law Gazette II pp. 306/307

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HUMAN AND ENVIRONMENTAL
RIGHTS FRAMEWORK

01

Framework to comply with human rights and environmental rights due diligence obligations.

Rolls-Royce Power Systems has put in place and maintains a human rights and environmental risk management to ensure we promote the protection of human and environmental rights and fulfil our duties of the German Act on Corporate Due Diligence in Supply Chains. This risk management framework includes the Rolls-Royce Power Systems Group as a whole.

1.1 Overall human rights and environmental risk management

Rolls-Royce Power Systems' risk management framework includes, *inter alia*:

- Processes, methods, and tools to regularly conduct a risk analysis of our own operations and of our suppliers (see section 1.2)
 - A complaint mechanism (see section 1.3)
 - Preventive measures to minimize human and environmental right related risks (see section 1.4)
 - Processes and guidelines for specific corrective and remedial measures to minimize and wherever possible terminate violations (see section 1.5)
 - A governance structure to ensure accountability (see section 1.6) and processes for documentation and reporting (see section 1.7).
- The risk management framework is embedded into the broader human rights governance framework at Rolls-Royce Power Systems Group, and its parent company Rolls-Royce Plc ("**Rolls-Royce**") (see section 1.6).

1.2 Regular and ad hoc-based risk analysis

In accordance with the German Act on Corporate Due Diligence in Supply Chains, Rolls-Royce Power Systems performs a risk analysis annually as well as ad-hoc whenever we receive information, including through direct communication channels, media, and our complaint mechanism, that warrant further analysis.

Thereby, Rolls-Royce Power Systems uses internal as well as external data and analysis and aligns to methodologies proposed by established and accepted indices on human and environmental rights globally. Where possible and appropriate, Rolls-Royce Power Systems will further align its risk analysis with relevant methodologies and approaches to assess human and environmental right risks.

The risk analysis proceeds in multiple steps, each being documented in terms of outcomes. If after the conclusion of one step, a risk or violation is identified in our own operations or supply chain, the risk

or violation will be weighted and prioritized and appropriate steps taken to mitigate the risk or address the violation, including in cooperation with our suppliers.

The risk analysis includes a categorization of all Rolls-Royce Power Group subsidiaries and suppliers of all production and purchasing locations into different risk-categories according to the risk level. The categorization is influenced by the risk level in countries where these companies operate, as expressed by recognized indices on children's rights in the workplace, equal treatment /discrimination, slavery, labor rights, land grabbing. The risk categorization also considers the risk that mercury could be used or mercury waste could be generated within the supply chain as well as the risk that persistent organic pollutants could be used and the hazardous waste could be imported or exported.

Further steps of the risk analysis may include external screening services and internal checks on contracts, certifications of the subsidiary or supplier, or specific examinations based on questionnaires. If necessary, Rolls-Royce Power Systems will perform in-depth evaluation of the situation locally and on the sites of subsidiaries or suppliers. Rolls-Royce Power Systems requested its direct suppliers to undertake similar and adequate steps in this regard if a risk is identified in regard of an indirect supplier.

Rolls-Royce Power Systems strives for continuous development and improvement of the risk analysis based on best practices and experience. Therefore, Rolls-Royce Power Systems has built further partnerships with external screening services focusing on human rights, environmental rights, and further sustainability risks.

In its own operations and operations of its subsidiaries, Rolls-Royce Power Systems focus is on acting fully in accordance with its own principles and commitments. The risk analysis is therefore complemented by further annual review processes, including through external assessment, of our group sustainability management system and our policies, measures and progress achieved in relation to environmental protection, climate action, human rights including promoting diversity and inclusion and a safe workplace, compliance and integrity and the sustainability efforts in our procurement practices. Results of these assessments are also considered in the human and environmental rights compliance framework and into the risk analysis process of own operations.



1.3 Complaint mechanism

As set out in our Global Code of Conduct, at Rolls-Royce Power Systems Group, we are dedicated to creating and maintaining an environment in which everyone can speak up without fear of retaliation. Anyone – including all employees, suppliers and their employees, customers, other persons affected by Rolls-Royce Power Systems Group's operations as well as members of the public – is strongly encouraged to speak up about anything that may not be in line with our values, including our Declaration of Principles on our Human Rights Strategy.



Human rights and environment-related complaints can be raised through the Rolls-Royce Speak Up Line (<https://secure.ethicspoint.eu/domain/media/en/gui/17304/index.html>). The Rolls-Royce Speak Up Line allows reporting in multiple language options via the telephone or an online form 24 hours a day, seven days a week, every day of the year. Additional internal reporting channels are offered for Rolls-Royce Power Systems Group's employees.

All complaints received are taken seriously and reviewed with the same diligence to assess the nature and severity of the concern and to determine appropriate next steps such as further fact-finding and the initiation of corrective and remedial measures (see section 1.5 of this document). Detailed information about the complaint procedure is publicly available on the Rolls-Royce Speak Up Line internet pages (<https://secure.ethicspoint.eu/domain/media/en/gui/17304/index.html>).

Rolls-Royce Power Systems does not tolerate retaliation and is committed to ensure confidentiality and meet the legal requirements for whistleblower protection for concerns raised through the Speak Up Line.

1.4 Preventive measures

1.4.1 Preventive measures within Rolls-Royce Power Systems Group's business operations

Beyond the regular risk analysis and complaint mechanism, Rolls-Royce Power Systems has implemented key measures to prevent human rights and environmental-related risks across the group.

Our Global Code of Conduct sets out the general principles for behaving with integrity toward each other and toward business partners. The Global Code of Conduct guides our efforts to maintaining the highest ethical standards, behaviors, and compliance. Our compliance policies build on the principles of our Global Code of Conduct and provide a guidance framework to help our employees live up to our responsibilities in day-to-day business. In the context of human and environmental rights and duties, our global policies on Human Rights, Health, Safety and Environment as well as Diversity and Inclusion further guide the implementation and enforcement of the principles laid out in the Global Code of Conduct. In the context of continuous improvement of our risk management process, the necessity to strengthen our regulatory framework will be regularly assessed.

Accompanying regulatory measures, training and awareness are key features of an effective compliance program. We provide our employees around the world with knowledge of compliance, integrity, and the law/regulations including the prevention of human rights and environmental-related risks. The participation in trainings is regularly tracked and documented accordingly. All employees with access to the Rolls-Royce Learning Management System must participate a general awareness training (E-Learning) about the German Act on Corporate Due Diligence in Supply Chains. Additionally, employees in key functions to promote human and environmental rights in the supply chain (e.g., in the purchasing department) will receive a target group specific training.

For our employees, relevant information on the subject human rights and environmental protection are available on our Intranet pages. Our business partners, stakeholder or any third party will find relevant information on our website (www.mtu-solutions.com/humanrights).

1.4.2 Preventive measures within Rolls-Royce Power Systems Group suppliers' business operations

Our Global Supplier Code of Conduct sets out minimum standards of behavior and practices. We expect our suppliers to adhere to our Global Supplier Code of Conduct, in addition to the provisions of any commercial terms agreed between Rolls-Royce Power Systems Group companies and the supplier. The Global Supplier Code of Conduct has also been revised in preparation of the implementation of the German Act on Corporate Due Diligence in Supply Chains.

Furthermore, we have updated the contract templates for suppliers and standard terms and conditions to address the requirements of the German Act on Corporate Due Diligence in Supply Chains. These new contractual conditions will apply to our new supplier contracts from 2023 onwards; existing contracts with longer time frames will be amended or supplemented based on the results of the risk analysis if necessary.

Rolls-Royce Power Systems and Rolls-Royce Solutions are highlighting the protection and promotion of human and environmental rights in its dialogue with its suppliers. We strive for maintaining collaboration models that support our suppliers in their due diligence obligations, including as imposed by Rolls-Royce Power Systems Group, in a manner that is considering the interests of the potentially affected people and communities. Such support mechanism will include awareness measures and training offerings for suppliers where we identified human and environmental right related risks.

1.5 Corrective and remedial measures

Whenever the risk analysis indicates a high risk of violation in our own group operations or our supply chain, Rolls-Royce Power Systems will take appropriate corrective and remedial measures to address identified root causes for this risk. When Rolls-Royce Power Systems identifies an imminent or occurred violation of human- or environmental rights within our group operations or in our supply chain, we take appropriate corrective and remedial measures to terminate any violation or minimize their impact as far as possible.

Our approach towards corrective and remedial measures is risk-based and systematic and will go hand in hand with assigning clear roles and responsibilities. The corrective and remedial measures – whether in the company's or subsidiaries' own operations or in the supply chain –

are designed in a systematic, appropriate, and proportionate manner. Beyond preventive measures explained above, corrective, and remedial measures could be for example:

- Binding self-declaration to stop persistent violations or behavior
- Restrictions and exclusions via contractual rights
- Amended procurement procedures

When initiating corrective and remedial measures, we consider their appropriateness in light of the interests of our employees, employees within the supply chain and those who may otherwise be affected by the actions of our company and its supply chains. Thereby, we work closely with our suppliers and all interested parties in the decision-making process. Where necessary, we support our partners, civil society, or cross-sector initiatives to address relevant challenges jointly and from a broader perspective to end the violation. In other cases, we will seek alternative business opportunities and reserve the right to terminate a business relationship.

The progress and the effectiveness of the corrective and remedial measures are monitored, if necessary revised and regularly reported internally and externally within our human rights governance framework.

1.6 Structure and accountability at Rolls-Royce Power Systems

The Chief Integrity and Compliance Officer at Rolls-Royce Power Systems, directly reporting to Rolls-Royce Power Systems' General Counsel, is appointed Human Rights Officer. The designated Human Rights Officer is responsible for the oversight of the risk management defined to comply with the German Act on Corporate Due Diligence in Supply Chains, as well as driving and leading the optimization of the processes when appropriate. The Human Rights Officer reports to the Rolls-Royce Power Systems and Rolls-Royce Solutions Board of Management.

The operational functions performing the risk analysis and reviews are responsible for escalating the risks and violations identified in accordance with the established internal processes. The first escalation level is the Human Rights Officer. In addition, Rolls-Royce Power Systems has designated a Committee chaired by the Human Rights Officer to support with the implementation of responsibilities and strengthen the human rights governance framework of the Rolls-Royce Power Systems Group. This Committee includes the Rolls-Royce Power

Systems' senior leaders responsible for critical functions for the compliance with the German Act on Corporate Due Diligence in Supply Chains, namely the Heads of Procurement, Health, Safety and Environment, Human Resources and Sustainability as well as the General Counsel and a representative from the parent company Rolls-Royce. The Human Rights Officer will escalate to this Committee the high severity cases identified, for a joint discussion and alignment. In critical cases and in any matter where the Committee is not able to reach a unanimous decision, the Rolls-Royce Power Systems Human Rights Officer must escalate the matter to the Rolls-Royce Power Systems and Rolls-Royce Solutions Board of Management. Additionally, for specific cases, the Rolls-Royce Human Rights Steering Group is to be consulted in final determination.

Rolls-Royce Power Systems' parent company Rolls-Royce is currently developing a Human Rights Programme that is expected to be rolled out into Rolls-Royce Power Systems Group. To ensure compliance and alignment with this programme, one of the members of the above-mentioned Committee will be the Rolls-Royce Group Human Rights Counsel. Additionally, the Rolls-Royce Power Systems General Counsel is part of the Rolls-Royce Group-wide Human Rights Steering Group.

1.7 Documentation and Reporting

All processes and measures of the Rolls-Royce Power Systems Group – to uphold commitments to the promotion of human and environmental rights and to comply with its due diligence obligations – are documented in a structured manner with a centralized storage of key documents for ongoing monitoring by the Human Rights Officer.

This includes the documentation of the risk analysis processes for Rolls-Royce Power Systems Group and its outcomes, the implementation and review of preventive measures as well as any adjustments, the corrective and remedial measures planned and their implementation and enforcement and all complaint procedures as well as investigations following complaints. Furthermore, the considerations and decisions by the Human Rights Officer and the Committee supporting the Human Rights Officer will be documented.

Regularly, the Human Rights officer will report to and ensure the Board of Management is informed on Rolls-Royce Power Systems' and Rolls-Royce Solutions' action to comply with the German Act on Corporate Due Diligence in Supply Chains at least four times a year and any critical cases the Board of Management must be informed of.

Information on Rolls-Royce Power Systems Group promotion and protection of human rights can be found in the annual reports of our parent company Rolls-Royce and of Rolls-Royce Power Systems as well as in the reports submitted to the Federal Office of Economics and Export Control (*Bundesamt für Wirtschaft und Ausfuhrkontrolle - BAFA*) published on the Rolls-Royce Power Systems' website.

1.8 Review and continuous improvement

Annually and in an ad-hoc manner, the Human Rights Officer and the Committee review of the appropriateness and effectiveness of the Rolls-Royce Power Systems Group risk management framework, the risk analysis as well as the preventive and corrective and remedial measures we implement and revise and/or expand our processes and measures as appropriate.

PRIORITIES

02

Identified priority human rights and environmental rights risks

Rolls-Royce Power Systems Group is a globally active group of companies offering complex drive, propulsion and power generation products used in thirteen industries. Due to this reality, we are facing a high complexity within our supply chains and materials for production processes are purchased worldwide. As our initial risk analysis has shown, our supply chain extends into countries where there are insufficient levels of enforcement of the protection of human and environmental rights. Furthermore, we rely on materials that are sourced in a manner that pose higher risks to human and environmental rights and require additional due diligence and efforts to ensure human rights are not violated and environmental pollution is avoided or at least minimized.

Based on the results of our risk analysis, we will place special attention on due diligence to work with suppliers in risk countries on children's rights and protection, the prohibition discrimination and the withholding of fair wages, the prohibition of forced labor and the granting of labor rights and the safeguards against land grabbing, safe handling of waste and in particular hazardous waste. Furthermore, special attention is given to the purchasing of materials, where we have identified higher risks concerning the use of mercury, persistent organic pollutants, or the handling of waste, including hazardous waste. For instance, Rolls-Royce Power Systems and Rolls-Royce Solutions establish specific processes to manage risks in the context of tin, tungsten, tantalum, and gold in accordance with the "OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas".



OBLIGATIONS AND EXPECTATIONS

03

Obligations of and expectations towards Rolls-Royce Power Systems' Board of Management, executives and employees, affiliated companies, and suppliers

The Rolls-Royce Power Systems Group, its Board of Management, executives and employees shall comply with the principles laid out in this Declaration of Principle on the Human Rights Strategy and with all other legal requirements that affect the conduct of their business. We expect the same from our direct suppliers. In particular, they shall use their best efforts to not violate human- and environmental rights.

In our own operations and those of our subsidiaries we are striving to continuously improve and enhance the protection of human and environmental rights providing a safe and healthy environment to our workers. All our group employees must adhere to our policies that guide adherence to our commitments. Adherence to and enforcement of our policies is reviewed by internal controls.

Regarding our direct suppliers, we expect our suppliers to comply with our Global Supplier Code of Conduct. On a risk-basis, we withhold the right to request additional information and assurance on their efforts to fulfil their due diligence requirements in relation to human and environmental rights. Where we identify specific risks within the supplier operations or if we identify the regulatory environment in the operating countries of our suppliers as insufficient to enforce the necessary level of protection of human and environmental rights, we will require the implementation of specific preventive measures. In addition, Rolls-Royce Power Systems Group's direct suppliers shall require any subcontractors and/or sub-suppliers to comply with these obligations to the same extent and to pass on the same obligations to their subcontractors and suppliers.

AMENDMENTS AND UPDATES

04

This Declaration of Principle may be subject to subsequent amendments and updates in case new human rights or environmental-related developments and challenges for Rolls-Royce Power Systems and its group companies may arise.

DECLARATION

05

This statement has been made in accordance with section 6 paragraph 2 of the German Act on Corporate Due Diligence in Supply Chains.

This statement was approved at the Board of Management meeting on 12 December 2023, and has been signed by the Board of Rolls-Royce Power Systems and Rolls-Royce Solutions.



Dr. Jörg Stratmann
Chair of the Board of Rolls-Royce Power Systems AG and
Managing Director Rolls-Royce Solutions GmbH



Dr. Thelise Godewerth
Chief People Officer and Labor Director Rolls-Royce Power Systems AG
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