Newsletter #8

Fighting for UK Jobs (Again)
4th September 2020

1 Update

Yet again we have a lot of information to communicate, so apologies for the length of this newsletter.

Firstly, the Company have registered concerns as to the content and tone of our newsletters. We make no apology for them - they are factual. It seems we have some rather sensitive leaders who like to dictate but can't take criticism, even if it is the truth.

The half year results have shown what dire straits we are in. We have always acknowledged how serious the situation is and why we have had to take some difficult decisions - there will be many more to be taken over the coming months, possibly years.

The results show the Company have saved £350m. This should have been significantly more. We previously reported our dismay at paying the 2019 bonus which would have resulted in another £100m saving and their reluctance to maximise furlough across **all** categories of employees, which would have resulted in tens of millions more savings.

Sebastian Resch - Operations Director, Civil Aerospace and the main architect of the Company's plans - made the comment that we need to 'cut our cost structure by £1.3bn'. What will be interesting to see is how much 'consolidation' will take place with respect to the 87 Executive positions, many of whom sit at home dictating their mandate at a cost of £42m per year.

Whilst we are on the subject of Company finances we note the announcement of our departing Chief Financial Officer, Mr Daintith, who has clearly decided it is time to jump ship (or perhaps more appropriately don the parachute to land in greener pastures) with the prospect of another golden hello, despite only being with our Company for just over three years. It says it all doesn't it.

2 Furlough & Working from Home

We have registered our concerns that there has also been a serious lack of attention given to the mental health of those on long term furlough (who have the added financial pressure) and/or those working from home who may not have the appropriate facilities or environment.

We have requested on numerous occasions that the internal information around mental health and the Employee Assistance Program (EAP) on Engine Room is made available on the external Rolls-Royce website. We are still awaiting confirmation that this has taken place, despite receiving assurances it would happen.

Another outstanding issue to be agreed is a monitor-and-review process on the fair and equitable application of rotation, not only for those on furlough but those working from home as well. We remain suspicious as to what plans the Company have for those roles that have proven can be effectively worked from home.

It seems there have been several discussions between managers and employees taking place at some sites concerning employee holidays and shutdowns. At a national level the only feedback given to date is they are 'in discussions' and they have still not reached any conclusions.

We have yet to enter discussions on reduced hours working/shorter working week beyond furlough Phase 3, which we believe is both inevitable and necessary, and will be needed in several areas for some considerable time to protect jobs and the future of the Company.

The Company communications from 14th August 2020 created the illusion they were willing to discuss a shorter working week at Barnoldswick. However, with last week's announcement that they are planning to transfer most of the Barnoldswick Fan blade work to Singapore, it is clear the discussions we had in August, were nothing more than a sham as they obviously knew they were planning further cuts.

3 Headcount Reductions

Sadly, in Phase 1 we have finished up with approximately 100+ compulsory redundancies. This is a moving picture with national pooling still taking place, with the main areas being Inchinnan and Barnoldswick.

However, let's be honest, at Inchinnan MRO it was in fact 525 compulsories and please be aware that the Barnoldswick figure does not include any numbers as a result of the announcement on 26th August. Despite telling the site they were moving the work, they failed to inform the workforce the amount of jobs that are too be exported as a result.

We have been clear that the Company should always maximise voluntary severance in the first instance, so it is very disappointing that the Company-controlled VS Decline number currently stands at 65. 113 applications are pending, 92 of which are in Turbines. We have asked the Company for these declines to be monitored and reviewed on an on-going basis and we are awaiting further discussions on how we deal with Phase 2 VS applications and expression of interests.

We were recently informed that some engineering areas are once again trying to ramp up the use of managed services to fill the gaps left by the headcount reductions, knowing full well there are several hundred more reductions to come in Phase 2. It is totally unacceptable to outsource and export this work whilst the threat of compulsory redundancies is on the table. We have yet to finalise the control measures and review process related to Managed Services

4 Collective Agreements/MOUs

We are sure you are all aware we have been working as a temporary appointed National TU Group for several months now. It was agreed nationally it would be the responsibility of the Group to negotiate and formulate where required changes to some of our agreements whether they be temporary or permanent.

We have several agreements to formalise and sign;

- Temporary COVID Redundancy Agreement (31st December 2021)
- Temporary Collective Agreement (covers temporary T&Cs changes implemented in relation to furlough phases, shift changes and pay deferment)
- National Trade Union Constitution (required no later than end of September 2020)
- Managed Services MOU
- Package Principles Agreement (covers, Pay freeze 2021, Productivity/Efficiency, Core Workforce, New Starter Rates, etc)
- National Redundancy Agreement (2022 onwards)
- Pension Agreement (CNC).

We have addressed the following issues from our last newsletter;

- The Ross Ceramics issue with voluntary and compulsory terms has been resolved
- All VS and Compulsory leavers will receive their contractual weeks in lieu of notice paid
- Rundown payments at Inchinnan as previously agreed
- Ensured Company clarified its Share of Fund (SOFTVS) availability for those leaving in 2020 and taking their options next year
- We requested and now have a pay slip descriptor for all the deductions/paybacks being applied so people can at least understand what they are even though they may not be correctly applied.

5 Strategic Review – Phase 2

We have always recognised the situation the Company are in and have always been willing to ‘work together’ to find solutions going forward. But as you know yourselves, this has not always been possible.

From arguing to force a shutdown of facilities to make them safe while the leaders’ priority was communicating the virtues of working from home, to unilaterally giving notice of binning our agreements - and we have many more examples.

Every day for the last six months has been a dog fight with management and continues to be so, who believe they can do whatever they like, whilst disregarding the views of your representatives.

On the 26th August the Company afforded us ‘one whole hour’ with Sebastian Resch who presented **extremely limited information** on their plans (we do not believe these are just proposals). They deliberately evaded answering direct questions that were posed to them. Thirty minutes later they briefed the affected sites, however the briefing at Barnoldswick presented different information to that given to the national team! The following day the Company communicated its half year results and footprint consolidation plans to the city.

They presented only a few specific elements;

- Closure of the Crosspointe facility in the US and consolidation of the discs and HP turbine blades into Washington and Derby (announced prior to the meeting)
- Transition and consolidation of widebody engine assembly & test to Derby from SATU (Singapore)
- Outsourcing and consolidating Fan blades from Barnoldswick to Singapore
- Closure of Annesley Site and consolidation to Derby & Oberursel.

At no time did they provide the business case for these decisions nor any indication of the number employees impacted by these announcements creating further uncertainty and anxiety at these affected sites.

Sebastian Resch then went on to state the Company's plans will be ongoing for the next 3 to 5 years under the following three pillars;

- Consolidation of Footprint
- Make/Buy (Outsourcing to Supply Chain)
- Joint Ventures with 3rd parties (TUPE & Outsourcing).

At the meeting we stated that footprint consolidation proposals need to be consulted on as a complete package. Be under no illusions their intention is to inflict death by a thousand cuts and we believe the Company have formulated their plans but are unwilling to share any of those details.

This might be RR's interpretation of consultation and it was made very clear to us again that the Company have no intention to meaningfully consult. The reasons they gave for this is their lack of trust, their dislike of our factual responses and the direct tone of our newsletters.

To be clear, if these consultancy driven plans are implemented **every** civil site left in the UK will be affected, including those perceived as benefiting from these announcements. Sites will be assessed against a Company Productivity/Efficiency matrix. Some of you may remember the disastrous 'blueprint' (terms & Conditions) initiative a few years ago. Yes, it does still exist. We have not seen the modern version yet but it's there waiting to be slapped on the table, with no doubt the threat of "it's this or your work goes"!

We understand the current load issues and its relationship to employee numbers, but we are now in a situation that the executive are executing their long term strategic plans. History and experience tell us that on numerous occasions they have got it badly wrong to the financial detriment of the Company and UK jobs.

We cannot just accept **their** plans and continue to be dictated to. We cannot just accept death by a thousand cuts, never knowing who is next, slicing people's legs from under them, along with the simultaneous attack on people's pensions (including the removal of Share of Fund).

It's worth pointing out the ethical concerns relating to 'double standards' by the Company. The National TU Group maintain we had reached **agreement** to pay Share of Fund for those leaving on VR and CR as part of the Covid redundancy agreement (applicable to the end of 2021). However, the Company pension announcements have stated that they are not prepared to guarantee SoFTVs for anyone leaving in 2021/22. This is unacceptable and includes factories where closure or further reductions have been announced before the end of 2021 but won't close or reduce until after 2021.

We informed the Company the two points above would form the terms of reference to a Failure to Agree (FTA). The Company proposed meetings to discuss, to try to avoid a further deterioration in relationships.

Yesterday we had a follow up meeting with Sebastian Resch to address our concerns regarding the lack of meaningful consultation. We had open discussions concerning the lack of trust and participation, but it was clear we have one common goal to ensure we have a Company in the future. With this foremost in our minds, we have agreed in good faith to pursue a more collaborative way forward to engage in the strategic review.

Clearly, we will not be able to communicate some of the information directly and may be subject to a non-disclosure agreement, but we do recognise we need to work at pace to turn 'what ifs' into firm and meaningful proposals. Be under no illusion - as we have said many times - we will have difficult decisions to make to ensure we do have a company.

We will also shortly be reviewing the Consultation Workstream Framework to take account of the consequences of Phase 2 and all its connotations including package principles.

Yesterday after discussions with Joel Griffin (Head of Reward) to address our concerns regarding the removal of SoFTVs aligned to the redundancy agreement, he provided the following statement we can share with you;

"Over the coming weeks it is our intention to seek agreement from the Trustee to enable us to meet the commitments already made in respect of SoFTVs for employees impacted by VS and compulsory redundancy in 2020 and 2021. NB, the proposals made in respect of the closure to future accrual are all under consultation are all subject to ongoing discussion until such time as a final decision is made by the Company and agreement is reached with the Trustee on a Rule amendment.

You will appreciate that the terms of the SoFTV requires the agreement of the Company and the Trustee and there is a lot of focus on this aspect of the RRUKPF at the moment. The Trustee is scheduled to meeting on 16 and 17 September, including a dedicated session focussing on member retirement options. This would be an opportune time for us to raise the question as to whether or not the Trustee would support the delivery of SoFTVs during 2021 for members impacted by redundancy. I understand that the Trustee is considering the topic *of retirement and transfer terms more broadly given the high number of members transferring out."*

We will wait for the outcome of the discussions between the Company and the Trustees at the meeting on the 17th September.

6 Pensions

As we have consistently stated, we acknowledge the exceptional circumstances the Company is in. Therefore, to ensure and secure a Company for future generations irrespective of which pension arrangements members have, difficult decisions need to be considered.

We understand Defined Benefit (DB) members' concerns with the intimidating communications and the dismissive responses put out by the Company as to what they are going to do, it is now time for us to respond.

We now have a consultation meeting between the Pensions CNC and the Company taking place on the 7th September 2020.

The Pensions CNC has a proven track record in its responsibility to members' pensions and has always been pragmatic in dealing with problems, stretching back over the last two decades. Seventeen years ago, there was a pension deficit of £1bn and we agreed to a reduction in benefits and increased individual contributions to maintain the DB schemes going forward. That scheme is now in surplus.

The TU, through the Pensions CNC battled to secure, protect and improve our pension schemes to the point in 2018 where we agreed to loan the Company £145m from the surplus to help with the Company finances. We could have easily said no but recognised the need to help the Company at that time.

We will help the Company - **our Company** – again. We will put our differences to one side to do the right thing and make another big decision in the acceptance of the 'force majeure' clause and agree to the closure of the DB scheme.

We recognise that the Pensions CNC are not the only stakeholders in this process. There are several important aspects that fall under the remit of the Trustees, for example the ongoing management of the scheme and the schedule of contributions (including any repayment that may become due from the £145m pensions holiday that was afforded to the Company in goodwill).

The Pensions CNC will table a number of DB considerations and a new Defined Contribution (DC) option to provide adequate reparation for DB members and improvement to the DC scheme. The Pensions CNC have not forgotten about those that are in the DC scheme who were given an assurance in 2018 that we would revisit the 15% (see Appendix 1).

It is also noteworthy that Joel Griffin (Director of Reward) has openly stated "We're not comfortable continuing with a two-tier pension arrangement". We completely agree - lets have just one. Let’s have some ethical values of purpose - one scheme from Board member to worker. Let’s see what behaviours the Company executives bring to the table on this one!

We have said in several newsletters it’s how we deal with the situation that really matters and pensions will be no exception.

7 Health & Safety

Following our last newsletter where we spoke about site Covid audits, concerns have been raised to us about the Health and Safety provisions for those working from home for a prolonged period of time. We will register this with the Company, including risk assessments, provision of suitable equipment and the mental wellbeing of our members.

We remain concerned that as lockdown restrictions are eased, concentration can lapse along with adherence to social distancing. Compliance to all safety measures put in place must be observed.

We end all our newsletters with the same two sentences.

We thank you for you continued support.

Remember, the only source of truth is through these newsletters.

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:

https://unitetheunion.org/campaigns/rolls-royce-play-your-part-in-rebuilding-our-economy-dont-slashjobs/

Thank you for your continued support.

Steve Hibbert	Ian Wilson
Tam Mitchell	Mark Porter
Ian Bestwick	Steve Jones
Mahf Khan	Stuart Hedley

Appendix 1

DB Scheme Considerations

- Members leaving on VS or CR are included in future enhancements
- Improved RPI protection of past Benefits up to 31st March 2024
- SOFTVS maintained at any age and transferable to alternative DC arrangement whilst remaining an active employee (employed active deferred)
- Pension related to salary post closure
- Special Increase 5% on pension built up to 31st March 2021 (Works & staff employees only)
- Transfers at no cost to the individual
- Early retirement factors protected - members will be classed as “Active Deferred” and apply appropriate with consent retirement factors on leaving employment post closure
- Pre 97 contingency pension increase guaranteed up to 31st March 2024
- Unreduced Benefit underpin for Death in Service/MER up to 31st March 2024
- Bridging Pension Option maintained
- Partial Transfer Option

DC Scheme Option

	DB to DC Members		DC Members	
	Employer %	Employee %	Employer %	Employee %
1st May 2021	21	6	12	6
1st May 2022	19	6	13	6
1st May 2023	17	6	14	6
1st May 2024	15	7	15	7