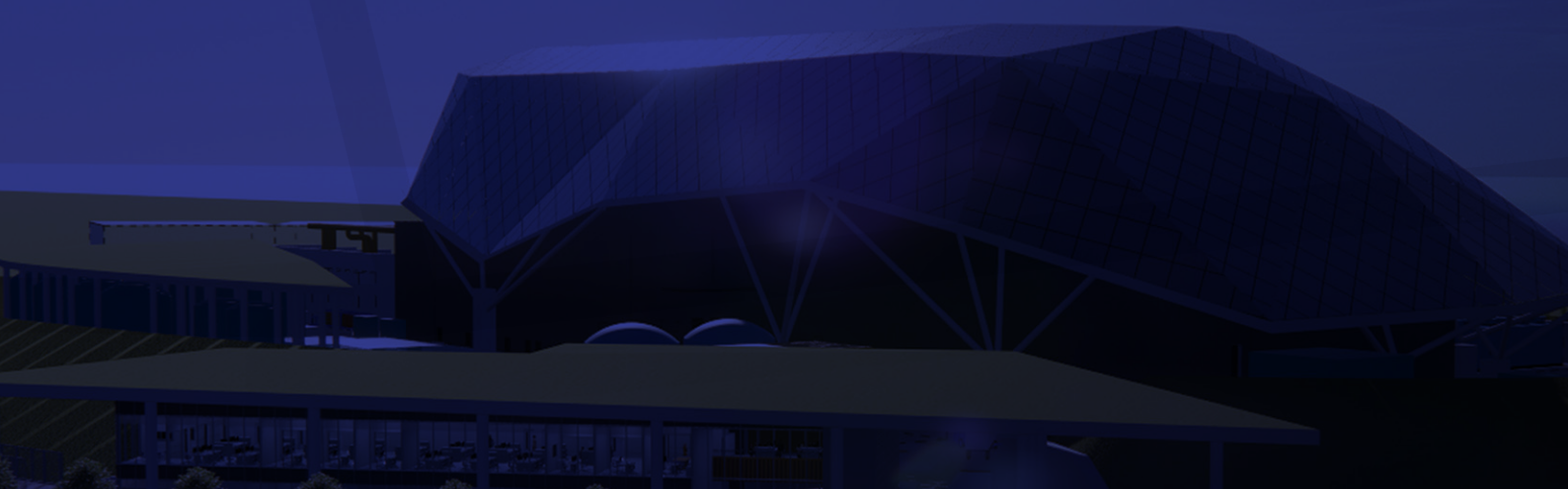




SMR

ROLLS-ROYCE SMR GENDER PAY GAP REPORT 2023





Contents

Introduction

What is gender pay gap reporting

Pay calculations in Rolls-Royce SMR

Bonus calculations in Rolls-Royce SMR

Understanding our gender pay gap

Addressing our gender pay gap

Network and inclusion statements

Introduction



“We are committed to creating a diverse and inclusive workplace and ensuring we attract the best talent to enable innovation and high performance – our gender pay gap reporting is an important element in support of this goal”

Chris Cholerton
Rolls-Royce SMR CEO

Who we are and what we do

The Rolls-Royce SMR is the UK's first domestic nuclear technology in more than 20 years - providing a British solution to a global energy dilemma.

Each small modular reactor (SMR) will produce enough stable, affordable, emission-free energy to power a million homes for at least 60 years.

www.rolls-royce-smr.com

Gender pay gap reporting at Rolls-Royce SMR

Rolls-Royce SMR's first Gender Pay Gap Report is an important milestone in the growth of our organisation and part of our continuing commitment to openness and transparency.

The data in this report shows that there is a gap between the hourly pay and bonus figures for men and women in Rolls-Royce

SMR. We explain some of the reasons for that and how we plan to address it.

We are committed to creating a diverse and inclusive workplace and ensuring we attract the best talent to enable innovation and high performance – our gender pay gap reporting is an important element in support of this goal.

We are a fast-growing organisation and gender balance, equity, diversity and inclusion are at the core of our plans to further expand our workforce.

Although we are encouraged by the progress we have already made in recruiting women at the start of their careers, we are committed to going further. This investment in people, and in building a diverse workforce that reflects the communities in which we operate, is essential to the success of our mission to provide clean, affordable energy for all.

Chris Cholerton
Chief Executive Officer
Rolls-Royce SMR

I confirm that the information and data provided is accurate and in line with mandatory requirements.

What is gender pay gap reporting?

The gender pay gap is a 'snapshot' of data taken each year to compare the hourly pay and bonus figures for men and women across all roles and grades of an organisation.

All organisations with more than 250 employees must report this data.

This is our first standalone submission, although our data has previously been included in submissions by our majority shareholder, Rolls-Royce Plc.

A Gender Pay Gap Report must include the following data*:

The mean and median gender pay gap for hourly pay

The percentage of men and women in each hourly pay quartile

The percentage of men and women receiving bonus pay

The mean and median gender pay gap for bonus pay.



It is important to clarify that a gender pay gap is not a measure of equal pay, which compares the salary of individuals performing the same role.

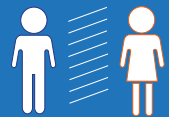
Equal pay:

Where men and women are paid the same for the same work



Gender pay gap:

An equality measure that shows the difference in average earnings between women and men



Gender pay gap UK national average:

In April 2023 the UK national average pay gap for full and part time workers**

13.2%
MEAN PAY GAP

14.3%
MEDIAN PAY GAP

*Rolls-Royce SMR data was taken on 5 April 2023

**Source: www.ons.gov.uk

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/genderpaygapintheuk/2023#the-gender-pay-gap>

Pay calculations in Rolls-Royce SMR

Rolls-Royce SMR has 594* employees. All of our employees are salaried however, for the purposes of the gender pay gap reporting calculations, we are required to convert all salaries into hourly pay equivalent figures.

The mean gender pay gap for hourly pay in Rolls-Royce SMR is 9.7% (median: 10.2%). This means that, on average, women are paid 9.7% less than men in our organisation.

The overall distribution of men and women in the company, during the reporting period, was 79% men: 21% women. The largest proportion of women employees are in the lowest pay quartile, and the vast majority of employees in the higher quartiles are men.

Our distribution is representative of other similar businesses, which is not unusual for the nuclear sector and wider 'engineering-based' industry.

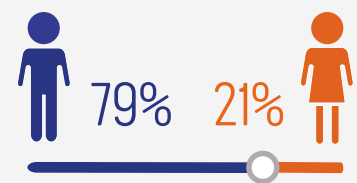
We anticipate that, while most of our workforce is male and until we improve our gender distribution, we will continue to report a gender pay gap due to the higher representation of men in the higher pay quartiles.

We work actively, as a business and as a representative of the nuclear industry, to attract more women into STEM careers in the nuclear and energy sectors. One way we're doing this is by investing in creating apprentice and graduate opportunities.

However, because apprentice and graduate opportunities typically fall within the lowest pay quartile, it is likely that - in the short to mid-terms - investment in these areas may contribute to our gender pay gap widening before it reduces in the longer-term.

We are committed to long-term investment in female talent, in order to develop the diversity in our business and industry.

Rolls-Royce SMR data at a glance



594
EMPLOYEES*

470
MEN

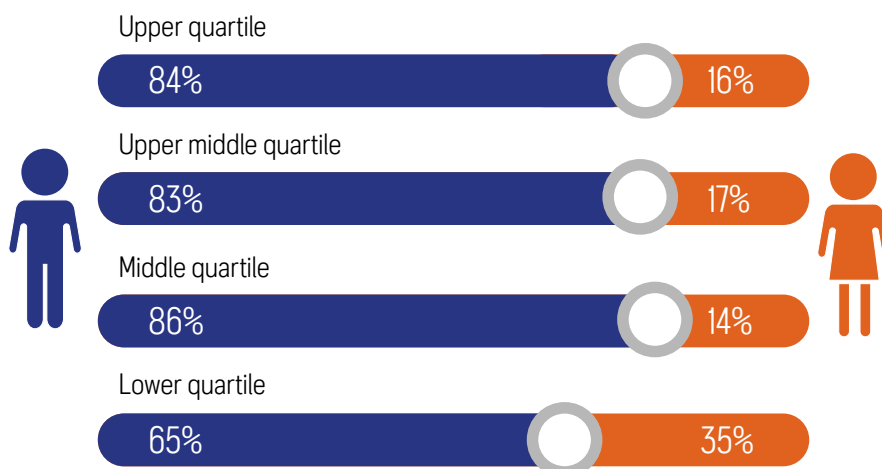
124
WOMEN

9.7%
MEAN (AVERAGE) PAY GAP

10.2%
MEDIAN PAY GAP

17.1%
MEAN BONUS GAP

Percentage of men/women employees per pay quartile



*Rolls-Royce SMR data was taken on 5 April 2023

Bonus calculations in Rolls-Royce SMR

Rolls Royce SMR operates a short-term incentive plan (STIP) for employees. STIP payments are classified as 'bonus pay' for the purposes of gender pay gap reporting. The company's financial year runs from 1st January to 31st December and the STIP is aligned to this. If STIP awards are achieved, then they are paid in March of the following year.

New joiners to the company are only eligible to participate in the existing STIP if they have joined before October. This means, in the context of gender pay gap reporting, that any employee that joined the company between October and April will not have had the opportunity to receive an STIP payment and so there would be no reportable bonus for those employees.

In this reporting year, bonuses were awarded to 59.7% of women employees and 73.2% of men employees. 40.3% of women employees and 26.8% of men employees did not receive a bonus payment because they were ineligible due to their date of joining the company.

100% of both men and women employees, that were eligible to receive a bonus, received a bonus.

During the reporting period, the mean bonus payment to women was 17.1% less than men. The median bonus payment to women was 34.5% less than men. The underrepresentation of women within the organisation, but more specifically within the upper and upper middle pay quartiles, is the main contributing factor to the existing gap that is present in our mean and median bonus calculations. This is because the opportunity to earn differing levels of STIP at Rolls-Royce SMR is binary and relative to grade and salary so, if we have more men than women in the highest pay quartiles, there will be a gap in bonus pay.

100% of men and women, who where eligible, received a bonus. Those who did not receive a bonus payment were not eligible because of their date of joining the business.

Rolls-Royce SMR data at a glance



MEN WHO WERE ELIGIBLE RECEIVED BONUS PAY



WOMEN WHO WERE ELIGIBLE RECEIVED BONUS PAY



MEN EMPLOYED BY ROLLS-ROYCE SMR WERE PAID BONUS



WOMEN EMPLOYED BY ROLLS-ROYCE SMR WERE PAID BONUS



MEAN (AVERAGE) PAY GAP IN BONUS PAY



MEDIAN PAY GAP IN BONUS PAY



Understanding our gender pay gap

We cannot simply accept any level of gender pay gap and must always work to reduce it, wherever we have the opportunity. There is, however, some important context that helps us understand how the gender pay gap is driven and allows us to take more effective action.

While we do not have a pay gap between genders on a job-by-job basis, the largest proportion of women employees are in the lowest pay quartile, and the vast majority of employees in the higher quartiles are men. This is the largest single factor that impacts our gender pay gap.

Rolls-Royce SMR has accomplished a lot as a young organisation. Our rapid growth in the 12 months to 5 April 2023, and the relatively low headcount of 594 employees on that date, means we have been working with constantly changing information on gender pay. Although this volatility will continue, as we relaunch our recruitment activities and grow the business further, it does also provide opportunities to address the gap.

While we have work to do, we are well-positioned against other engineering organisations, where the average mean gender pay gap is 14.8%.***

The largest proportion of women employees are in the lowest pay quartile, and the vast majority of employees in the higher quartiles are men. This is the largest single factor that impacts our gender pay gap.



*** (ZipFile)

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/annualsurveyofhoursandearningsashegenderpaygaptables>

Addressing our gender pay gap

To reduce our gender pay gap, the overriding issue to address is the imbalance in our pay quartiles. As a priority, we need to increase the representation of women in the upper quartiles, particularly in some of our more senior roles. As we grow and mature as a business, we need to aim for gender balance in all of the quartiles.

We are committed to supporting the Nuclear Sector Deal ambition of 40% of the nuclear workforce to be women by 2030. To help achieve this, we have agreed our own internal goals to be 25% of all engineering and manufacturing employees to be female.

However, our enabling functions may be better able to support a reduction in the gap in the short term, due to the greater availability of female talent outside the engineering discipline. In these areas, our 2030 goal is for 50% of all employees to be women.

We are confident that in achieving these internal goals, we will also deliver on the Nuclear Sector Deal ambitions.

Rolls-Royce SMR directorate goals by 2030

25%

OF ALL ENGINEERING AND MANUFACTURING EMPLOYEES TO BE FEMALE

50%

OF EMPLOYEES IN ALL OTHER FUNCTIONS TO BE FEMALE

Progress so far:

We have conducted an end-to-end review of our hiring process to ensure fairness and equity is standard, and to successfully attract and hire more women talent as we grow in 2024 and beyond.

This has resulted in a new process which considers:

- How we advertise to attract a diverse range of applicants with the right skills and experience
- How we can reduce the potential for 'bias' in the recruitment process
- How we can accommodate those with particular needs, ensuring fair assessment and interview stages

We understand that there continues to be a shortage of women talent in the engineering and manufacturing sectors. There is no 'quick fix' for this, but both our Inclusion Strategy and growth plans outline ways we can improve year-on-year.

Graduate and apprenticeship programmes:

Rolls-Royce SMR is committed to supporting women talent in our apprenticeship and graduate programmes. While these programmes will not see an immediate reduction in the gender pay gap, due to the lower salaries afforded to early careers, increasing female representation at these levels remains the right thing to do to reduce the gender pay gap in the long term as we encourage more women into the nuclear sector.

Mid-career development programme:

We have made a commitment to provide selected employees with access to a development programme specifically aimed at mid-career women. This will support our ambitions to help our female employees fulfil their career aspirations with us, and help increase the proportion of women in our upper pay quartiles.

Inclusion networks:

In 2023, Rolls-Royce SMR launched GENIE, our Inclusion Network for women, allies and those with a passion for achieving gender equality. Since its launch, GENIE has hosted a 'bring your child to work day' to increase interest in the nuclear sector, and delivered a series of impactful events for International Women's Day, International Women in Engineering Day, and World Menopause Day.

GENIE will continue to play an important role in our external talent attraction activities, and will help us shape our workplace culture by providing a unified voice to women in our business.

Collaboration:

Through our membership of organisations, such as Women in Nuclear UK, we are collaborating across the sector to ensure we all learn the lessons of what works well in attracting more women talent to nuclear roles. We are being ambitious and innovative in our pursuit of doing more for the industry.

Network and inclusion statements



Rolls-Royce SMR launched its Inclusion Strategy in 2023 and I'm delighted with the progress we are making, including the examples set out in this report.

While I want to see the gender pay gap eradicated as soon as possible, I also recognise that there are challenges ahead of us that we must address first if we are to achieve this.

Our strategy has a clear set of priorities that we are already delivering and, although the benefits may not all materialise immediately, we know we are setting ourselves up for success in the future through long-term and sustainable planning. It's an exciting time to be part of Rolls-Royce SMR as we work hard to deliver clean, affordable energy for all.

Greg Turner-Smart

Inclusion Manager, Rolls-Royce SMR



I'm incredibly proud to be Network Lead for GENIE and of the progress we have made in our first year. Through GENIE, we have started conversations on gender issues with a particular focus on those that impact women.

Our employee engagement on World Menopause Day was fantastic, and I'm delighted that we now have provisions of free sanitary products available across all of our sites. We have many female role models in Rolls-Royce SMR who are inspiring all of their colleagues – regardless of gender – and our work to encourage more girls and young women into the nuclear sector is something I'm especially passionate about. We're delivering real positive change to make our company, and the wider nuclear industry, a more inclusive place for people across the gender spectrum.

Kira ODonoghue

Commercial Manager, Rolls-Royce SMR and GENIE Network Lead

While this report legally requires us to compare hourly pay and bonus pay for men and women, we recognise that gender is a spectrum and not all our colleagues will identify with such terms. We are a fully inclusive employer and we support and respect gender diversity in all its forms.

#WeAreSMR



We are corporate members of
Women in Nuclear UK (WiNUK)





SMR

rolls-royce-smr.com
gda.rolls-royce-smr.com



Rolls-Royce®

