

Rolls-Royce – Submarines
Vulcan Business Operations Update: January 2021

Safety Performance remains Rolls-Royce's number one priority and we are focussed on the safe delivery of our current contracted Vulcan Post-Operational Delivery (VPOD) and fleet support operations on behalf of the Ministry of Defence.

Clearly COVID has been and remains a significant and key challenge as we ensure that we comply with all rules/guidance from Scottish and UK Parliament, Ministry of Defence (MoD) and Roll-Royce. Apart from a period starting March 2020, where we briefly paused full operations to swiftly put in place a set of robust countermeasures and policies, as designated "critical workers" we have continued to deliver the key defence outputs on behalf of the MoD throughout the pandemic.

Rolls-Royce continues to carry out substantial planning and impact assessments to protect its workers and the local communities, from the ongoing impact of this pandemic. We continue to adjust and robustly measure working practices designed to ensure we can support our customer as-far-as-possible, including a substantial programme of IT investment allowing home working for approximately 50% of the historical site numbers. We continue to discuss and engage with our DSRL neighbours to ensure best practice learning is shared.

Rolls-Royce plc group continues to see substantial economic impacts of the COVID pandemic, as a significant proportion of its revenue and profits come from the Aerospace gas turbine market which continues to be devastated by the travel restrictions and disruptions. As previously reported, there have been and continue to be substantial job losses across the aerospace sector and this has significantly impacted many Rolls-Royce sites across the UK, which we are trying to mitigate where at all possible. With the continued support of the MoD we have thankfully not seen this in the Caithness area.

The critical programmes that we deliver on behalf of the Ministry of Defence remain key to the specific Future Business planning for our Capability, Skills and Personnel currently at Vulcan and longer-term in Caithness, particularly in the overall Submarine and Nuclear services arena. Immediate tactical plans remain resolutely focused on the continued safe delivery of the defuel and fuel movement programme – which is key to the overall longer-term site closure programme.

At appropriate aligned pace, we are continuing to progress our Business planning and development for utilisation and deployment of our personnel and nuclear skills, in Caithness to 2022 and beyond. As previously reported the MoD have identified some operational support activities that can only be conducted at Vulcan and will likely extend beyond December 2022 and we are working with them to develop a jointly agreed solution. As previously reported, this will clearly be conducted alongside the Vulcan site decommissioning opportunity should Rolls-Royce be involved.

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Our resource management activities at our Vulcan Business Unit, including recruitment, continue to align to our operational delivery requirements and demands in accordance with normal Business management and controls. These include transformation and structure and are mainly currently focused around retaining the suitable current capability and capacity until the future programme gains clarity. Fundamental to this planning is ongoing flexible and informed transitional alignment to the overall Rolls-Royce Submarines Business, in line with demand from within our Rolls-Royce Defence Business and the UK's nuclear submarine programme. It is appropriate to note this continues to be the case across the entire Submarines Business and Enterprise in the UK.

A total of 16 Rolls-Royce apprentices continue in training at Vulcan which include the five new apprentices taken on last year.

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