Appendix 4 – Red Flags

Red flags are indicators, or warning signs, of potential bribery and corruption issues. You must not ignore Red Flags, and should report them to your Line Manager, the Proposer, and the business Ethics and Compliance Team. The following are examples of common Red Flags. This list is not exhaustive, and you need to look out for anything which indicates that things may not be right.

Issues relating to the Third Party's reputation

- A history or reputation for corruption, or representation by the Third Party of other companies with a questionable reputation.
- Any reluctance by the Third Party to accept the Company's standard anti-bribery and corruption contractual clauses.
- Any indication that the Third Party has been debarred or is ineligible to contract with any customer (including governments).
- Any indication that the Third Party has committed an Export Control violation, including a violation of the US International Traffic in Arms Regulations.

Issues relating to the Third Party's capability

- Uncertainty as to whether the Third Party is suitably qualified or resourced for the work.
- The Third Party is located outside the relevant territory and/or has no significant business presence within the relevant territory.
- Lack of a clear business case for appointing the Third Party or any refusal to provide full details of what the Third Party will do or has done.
- Unauthorised use of subcontractors to perform the services under the contract.

Any lack of clarity, missing information or strange behaviour by the Third Party

- Arrival of the Third Party on the scene just before the award of a contract.
- A lack of evidence of work performed.
- Any statements that certain amounts of money will be needed to "seal the deal", "get the business" or for a poorly specified purpose (e.g., to "make arrangements") or that the Third Party can circumvent or "expedite" normal business or bid processes.
- Lack of transparency in expenses and accounting records of the Third Party (e.g., seeking to hide certain payments and less obvious concealment).
- Any attempt by the Third Party to keep his/her involvement secret or avoid disclosure of their identity or their engagement as a Third Party.
- Any request from the Third Party to prepare or execute false or inaccurate documentation.
- Any indication that information has been deliberately omitted from written communications to or from the Third Party, for example, statements like "I think it best if we discuss what was said at the meeting - I don't want to put it in writing."
- Due diligence reveals that the Third Party is a shell company or has some other unorthodox corporate structure.
- Any indication that the Third Party has obtained or used unauthorised Confidential Information (as defined in Our Code and Group Policies).
- Winning a seemingly "unwinnable" deal.

Links to customers or Government Officials

- Any indication that the Third Party has been recommended by a Government Official or by a representative of the customer.
- Any suggestion of a close personal or professional relationship to a Government Official or customer (whether as employee, contractor, associate, relative, spouse or close acquaintance).
- The Third Party is (a) an active or retired Government Official or (b) owned at least in part by a Government Official.

Issues relating to payments and bank accounts

- The Third Party is incorporated in or has nominated a bank account in a territory that is listed from time to time by the EU as a non-cooperative jurisdiction. Where a Third Party is incorporated in or has a nominated bank account in such a territory, advice must always be sought from the Tax team on any tax risks associated with the proposed transaction.
- The Third Party seeks to have payments made to:
    - multiple bank accounts, or have one amount split into multiple payments to the same or different bank accounts;
    - entities other than the entity engaged as a Third Party (for example, to personal bank accounts of directors or to a shell company); or
    - bank accounts outside the relevant territory, country of incorporation or place of business of the Third Party. Rolls-Royce will only make payments in exceptional circumstances to bank accounts outside the territory in which the Third Party is incorporated or operates (or in the case of an individual, resides), or the territory where the Third Party will provide services. In such cases, the proposed bank account must be verified by Finance.
- The Third Party makes requests for:
    - increases in remuneration outside of the contract renewal process;
    - "urgent" payments (especially if just prior to the anticipated award of a contract or a payment due under an existing contract) or for unusually high commissions or payments;
    - payment of any amounts "up-front" (including by way of a loan to be repaid out of future remuneration);
    - payment in cash or cheque or by way of an equity investment;
    - non-standard descriptions/narratives on electronic transfers;
    - a payment, gift or charitable contribution for the Third Party or for another; or
    - a commission or payment that is excessive or above the going rate.

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