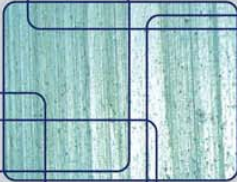




Rolls-Royce

Challenging Times for Global Purchasing Organization

Abby Lilly
Regional Purchasing Executive



Global Purchasing

Rolls-Royce plc Balanced Business Portfolio

Total Sales \$14.82bn*

Aftermarket Services: 55%
(\$8.17bn)

Energy: 3%

Marine: 13%

Defence: 10%

Civil: 19%

Original Equipment: 45%
\$6.65bn

* X-Change Rate
\$1.9/£

The Need for a Global Organization

–Suppliers say we are a complicated organization and they need:

- Simplify our organization
- Clear points of contact
- Responsive

–Our Customers need:

- Improved delivery performance
- Reduced product and operating costs
- Improved quality
- Improved responsiveness

–Our shareholders want:

- Security of their investment
- Improved profitability

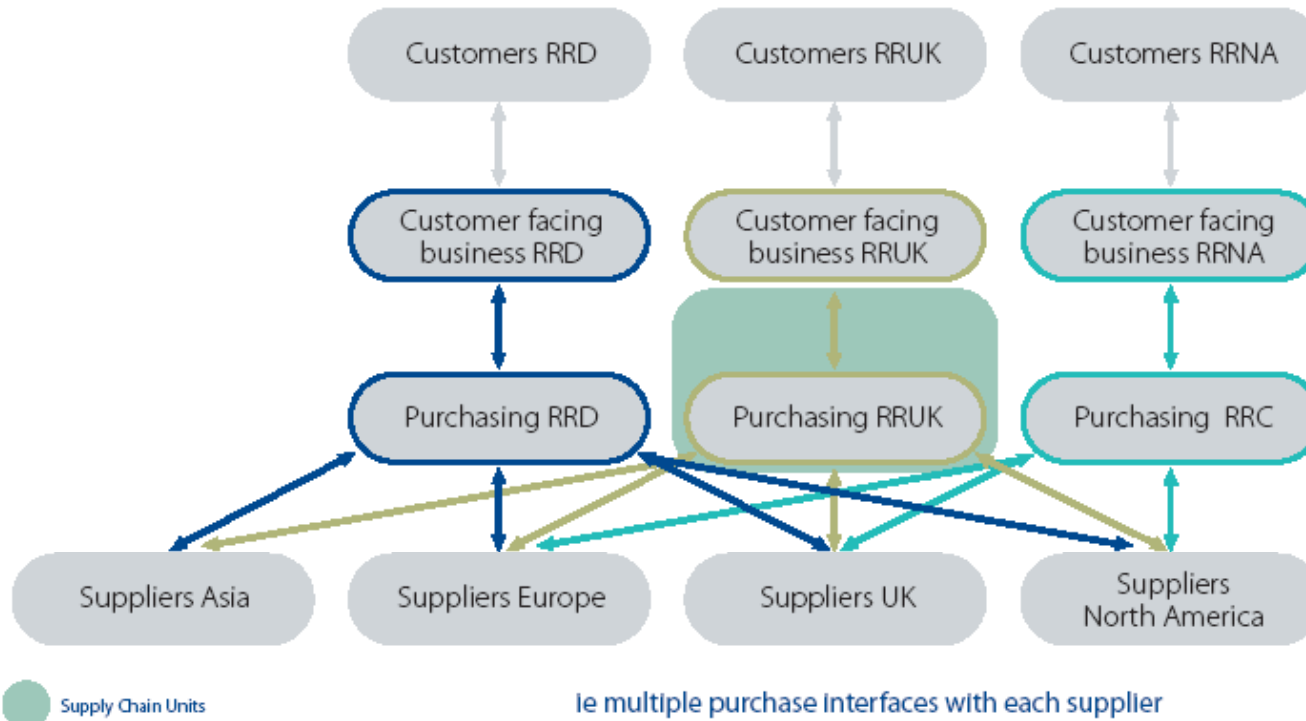


Challenges of Globalization

- A 'mind set' change from how we work today
 - **Current state:**
 - internally towards regional customers
 - externally towards global suppliers
 - **Future state:**
 - internally towards global customers
 - externally towards regional suppliers
- **Behavioral changes**
- **Communications**
- **Change management & leadership**

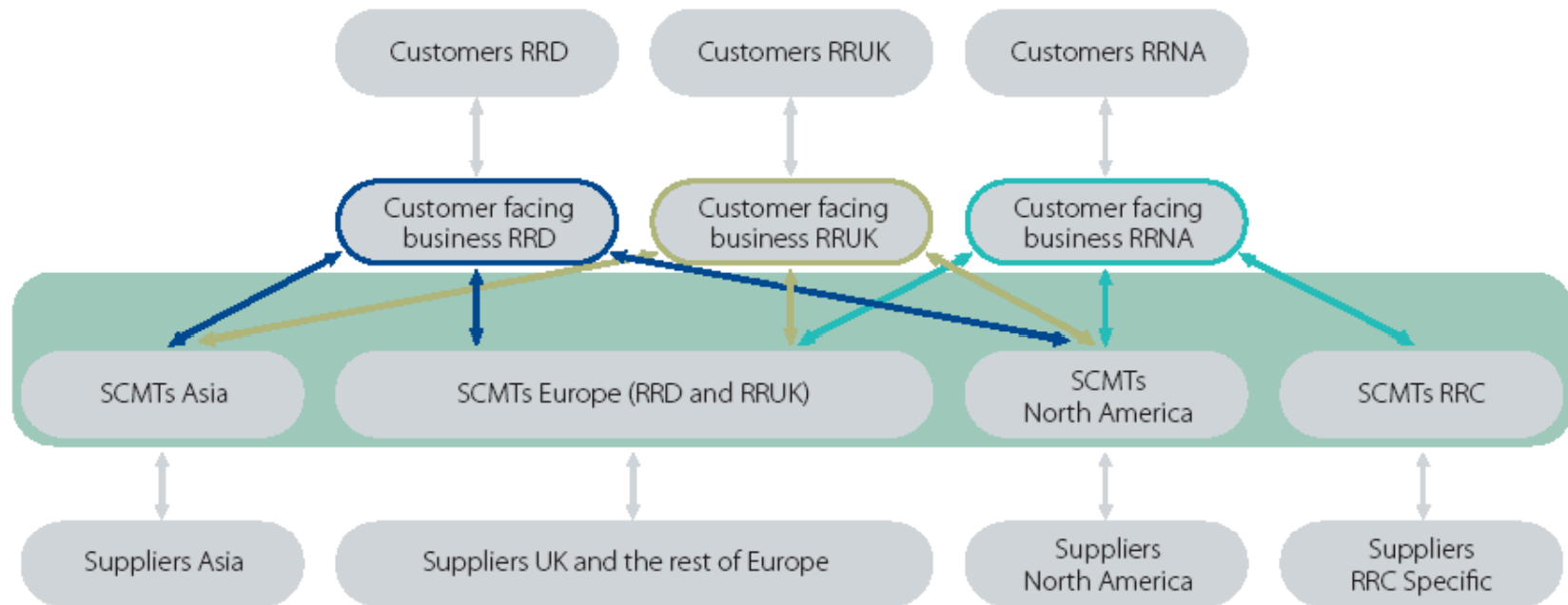


Typical current state supplier management



- Current state
 - Many interfaces between Rolls-Royce globally and each supplier
 - Lack of consistent clear approach to our supply chain
 - Conflicting priorities onto our supply chain
 - Different systems, documentation and expectations from each Rolls-Royce customer
 - Different purchase organisation structures within Rolls-Royce

Typical future state supplier management



● Supply Chain Units

● Future State

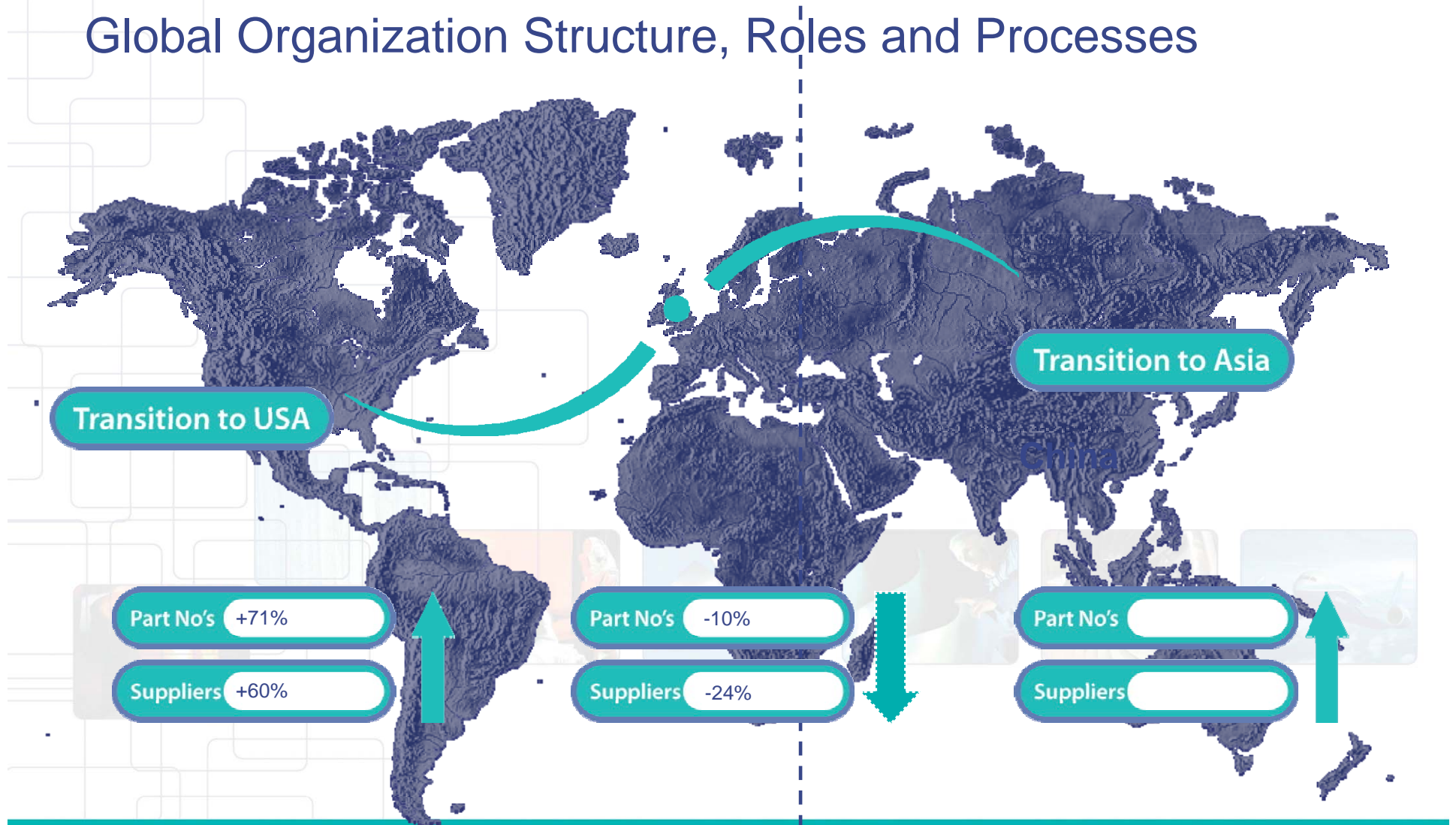
- Reduced (ideally single) interface between Rolls-Royce globally and each supplier
- Consistent approach globally towards our supply chain
- Clearer priorities onto our supply chain
- Where possible common systems, documentation and expectations from each Rolls-Royce customer
- Common purchase organisation structures within Rolls-Royce

ie single SCMT interface with each supplier

Complexity of demand signal priority moves inside Rolls-Royce

The Shift to Globalisation

Global Organization Structure, Roles and Processes



Key Principles

- **Commodity focussed - Supply Chain Units managing the whole of the global gas turbine supply chain for that commodity**
- **Each SCU has Supply Chain Management Teams (SCMT's) distributed across four regional locations UK, Germany, Asia and North America**
- **Each SCMT has a common organisation structure, roles and processes**
- **Authority for Engineering, Product Assurance and Quality will remain with the Production Organisation Authorisation Holder (POAH) region unless delegated by that region**
- **Must ensure that we maintain our mandatory obligations**
 - **Export, Taxation, Legal, Airworthiness**

Key Challenges

- Working within a regulated environment
- Communication across cultures and projects
- Up-skilling the organization to think globally and act locally
- Managing resources globally

