



Rolls-Royce

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Ben Llewellyn
Export Credits Guarantee Department
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18 November 2005

Dear Ben,

**Interim Response to the Public Consultation Conducted March-June 2005
Concerning Changes Introduced in December 2004 to ECGD's Standard
Documents Relating to Bribery and Corruption.**

Rolls-Royce welcomes the opportunity to comment on ECGD's Interim Response dated 21 October and as a Company, we remain fully committed to complying with both UK and host country anti-bribery and corruption legislation. Our code of business conduct and procedures for appointing and monitoring Agents are very rigorous in this regard.

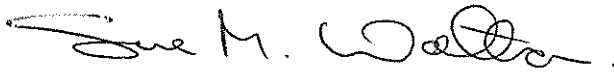
We believe that ECGD and its customers now need a period of stability and certainty within which to grow their business and we recognise ECGD's Interim Response as a positive step forward in this regard. We have contributed to and are fully supportive of the CBI's very detailed response to the Consultation but wish to highlight a number of points that we believe to be particularly important.

- UK businesses are subject to some of the most stringent anti-bribery and anti-money laundering legislation in the world, which since February 2002, has been given extra-territorial effect. We endorse Transparency International's statement that "Corruption distorts markets and is therefore the enemy of competition" and uphold the rigorous enforcement of existing law by the appropriate investigating authorities to ensure that the highest standards are maintained.
- The definition of Consortium Partner in the new draft documentation has the potential effect of including every company in the Rolls-Royce supply chain plus the airframe manufacturers who use our engines. Following clarification from ECGD, we understand that this is not the intention and a small amendment to the definition so that it encompasses joint ventures and similar arrangements would correct the position.

- We were concerned that the definition of 'Affiliate' contained in the May 2004 provisions was so broad as to include the past and future behaviour of companies that are not under our control. The December 2004 provisions sought to address this problem by introducing a concept of Controlled Company so that the Applicant could give ECGD the assurances that it was rightly seeking in relation to parties that the Applicant actually has control over. The draft documents in the Interim Response contain a revised definition of Controlled Company that includes deadlocked companies that we do not control. This needs to be addressed and we support the CBI's proposed drafting amendment to deal with this issue.
- Rolls-Royce is supportive of the changes made to the Audit Provisions however the definition of Related Agreements has the potential to include documents such as Board Minutes and internal consents. We understand that this was not ECGD's intention and we are content with the revision to the definition suggested in the CBI response.
- ECGD has now offered two options for dealing with the issue of Agents. The first option is to require full disclosure of all Agency details and the second to allow a withholding of those details but with the company taking full responsibility for the actions of the Agent. Rolls-Royce is supportive of these parallel alternatives provided that any commercially sensitive information received by ECGD with respect to Agents is properly protected and ECGD agrees to execute a confidentiality undertaking. There are precedents for arrangements of this nature with other Government departments, which provide the appropriate level of security of information.
- Rolls-Royce is concerned that the new requirement to provide a list of "Senior Managers" who have been or will be involved in the negotiation of the Supply Contract and Related Agreements is unworkable. In complex, long lead-time transactions such as ours, with personnel on the negotiating teams changing on a regular basis, these could number dozens of employees of both Rolls-Royce and any Controlled Companies. Rolls-Royce is already required to make declarations with respect to the conduct of our employees and we are willing to expand those declarations with respect to Senior Managers who have the power to bind the company during negotiations.
We are also concerned about the privacy of individual employees and our ability to comply with our obligations under the Data Protection Act to protect the privacy of employees.
- Although the change was not highlighted in ECGD's covering note the qualification "to the best of our knowledge and belief" has been deleted in the revised documentation making all statements absolute. It is not practical for us to make such unqualified statements particularly where they are in respect of third parties where we would be relying upon the representations of others. The phrase should be reinserted in all the relevant places throughout the documentation. Alternatively the qualification "as far as you are aware", used in Annex C3, paragraph 12.4, would also be acceptable.

In conclusion, although we have some residual concerns with respect to the Interim Response we remain fully committed to the Government's objectives. We believe that with the inclusion of the few changes detailed in the CBI's response, ECGD will continue to be at the forefront among export credit agencies in applying the OECD Action Statement on Bribery and Officially Supported Export Credits.

Yours sincerely

A handwritten signature in black ink, appearing to read "Susan M. Walton". The signature is fluid and cursive, with a long horizontal stroke at the beginning and a series of loops and curves throughout.

Susan M. Walton
General Manager
Structured Finance & Export Credit