Remuneration policy

Introduction

This policy will take effect immediately after the AGM to be held on 30 April 2026, subject to shareholder approval.

Background to the proposed new remuneration policy

The current policy was developed in 2023 and was baselined to a median FTSE 50 position, reflecting the Company's size and context at that time. Minor amendments to the policy were approved by shareholders in May 2025 relating to incentive deferral and shareholding requirements. Following the success of the ongoing transformation, as at 31 December 2025 Rolls-Royce had a market capitalisation of £97bn and was the sixth largest company in the FTSE.

For the purpose of benchmarking remuneration, an updated peer group has been developed by the Committee and was approved in August 2025 based upon market conditions and reported public information at that time. It incorporates similarly complex global businesses which operate in similar markets to those of Rolls-Royce, and in markets which represent our growth opportunities (e.g. narrowbody aerospace and nuclear). It also includes key talent markets with both traditional and emerging peers amongst UK-listed multinationals and international engineering and industrial technology sectors. The companies have been screened by a conventional market capitalisation size filter (e.g. selecting companies between 0.5x – 2.0x of the market capitalisation of Rolls-Royce) with adjustments to ensure critical talent peers above and below this range are included to ensure the output results in an appropriate forward-looking peer group. We believe that the output of this benchmarking reflects our business reality, with the resulting total target direct compensation median well aligned to our market capitalisation.

Peer group methodology in detail

TRADITIONAL PEERS

Aerospace & Defence

1. Companies screened to provide a list of potential peers based on:

- Listing location (US or Europe)
- Classified as 'Aerospace and Defence' under the broader 'industrials' category
- Within Rolls-Royce's three-month average market capitalisation of 0.5x–2.0x

2. Following stage 1 above, companies that are above the 2.0x ceiling are subject to a manual screen to assess suitability for inclusion

There was one company (General Electric Aerospace) above the 2.0x market capitalisation ceiling that could be considered for inclusion in the peer group

Global-facing FTSEs

Companies screened to provide a list of potential peers based on:

- Within Rolls-Royce's three-month average market capitalisation of 0.5x–2.0x
- Financial Services companies are excluded
- Companies whose operations are weighted towards the domestic market are excluded (i.e. have UK revenues of 50% or more)

+

EMERGING PEERS

Best in class engineering/ industrial technology

1. Companies screened to provide a list of potential peers based on:

- Listing location (US or Europe)
- Within Rolls-Royce's three-month average market capitalisation of 0.5x–2.0x
- Classified as 'Industrials' with industry classification of 'Electrical Components and Equipment' or 'Industrial Conglomerates' or 'Construction Machinery and Heavy Transportation Equipment' or 'Heavy Electrical Equipment'

2. Following stage 1 above, companies that are above the 2.0x market capitalisation ceiling are subject to a manual screen to assess suitability for inclusion

There were no companies above the 2.0x market capitalisation ceiling that could be considered for inclusion in the peer group

Rolls-Royce talent flow cross check

- Consolidated peer group cross referenced against companies from which Rolls-Royce is increasingly recruiting senior talent
- The review revealed that there was significant overlap, and no additional companies were added

Following this review, peers in each group are aggregated together into a combined peer group and then reviewed in totality to ensure no critical peers are missing and that the Company's size is comparable to that of the peer group. After this review, Cummins has been added to the peer group.

Resulting peer group

Aerospace & Defence

- Airbus
- BAE Systems
- Boeing
- General Dynamics
- General Electric [1]
- Howmet Aerospace
- Lockheed Martin
- Northrop Grumman
- RTX
- Safran
- TransDigm Group

Global-facing FTSEs

- AstraZeneca
- BP
- British American Tobacco
- GSK
- RELX
- Rio Tinto
- Shell
- Unilever

Best-in-class engineering/ industrial technology

- 3M
- ABB
- Caterpillar
- Cummins [2]
- Eaton
- Emerson Electric
- Schneider Electric
- Siemens

1 At the time of assessment, General Electric was the only peer with a market capitalisation in excess of 2.0x that of Rolls-Royce. General Electric is a direct peer of our core Aerospace & Defence activity and is highly relevant as a competitor for talent

2 At the time of assessment, Cummins' market capitalisation was below 0.5x that of Rolls-Royce. Cummins is a relevant peer given the adjacency to our Power Systems business and our growing market presence in the US industrial power sector

Proposed changes to policy design

1. Incentive on-target and maximum levels

The table below summarises the current and proposed changes to incentive arrangements for our Chief Executive and Chief Financial Officer which will ensure that total target direct compensation levels are competitive relative to our chosen peer group.

	Chief Executive		Chief Financial Officer	
	Current Policy	Proposed Policy	Current Policy	Proposed Policy
On-target annual incentive	100% of base salary	150% of base salary	100% of base salary	No change
Maximum annual incentive	200% of base salary	300% of base salary	200% of base salary	No change
Long-term incentive plan grant level	375% of base salary	750% of base salary	275% of base salary	450% of base salary

Chief Executive and Chief Financial Officer total target direct compensation relative to peer group

	Rolls-Royce/Peer group		Base salary	Target bonus (% of base salary)	Target annual compensation	Target LTI [3] (% of base salary)	Total target direct compensation [4]
Tufan Erginbilgic	**Rolls-Royce Chief Executive – before any changes [1]**		**1,371,563**	**100%**	**2,743,126**	**225%**	**5,829,143**
	Compa-ratio versus median		99%		83%		**50%**
	Peer group	Upper quartile	1,440,000	175%	3,805,000	950%	15,495,000
		Median	1,385,000	150%	3,300,000	510%	**11,730,000**
		Lower quartile	1,175,000	125%	3,090,000	285%	6,955,000
	Proposals from 1 January 2026 – including base pay increase [2]		**1,586,000**	**150%**	**3,965,000**	**450%**	**11,102,000**
	Compa-ratio versus median		115%		120%		**95%**
Helen McCabe	**Rolls-Royce Chief Financial Officer – before any changes [1]**		**795,506**	**100%**	**1,591,012**	**165%**	**2,903,597**
	Compa-Ratio versus median		99%		96%		**63%**
	Peer group	Upper quartile	870,000	115%	1,870,000	515%	5,330,000
		Median	805,000	100%	1,650,000	315%	**4,615,000**
		Lower quartile	730,000	100%	1,525,000	240%	3,760,000
	Proposals from 1 January 2026 – including base pay increase [2]		**936,000**	**100%**	**1,872,000**	**270%**	**4,399,200**
	Compa-ratio versus median		116%		113%		**95%**

1 Figures shown before changes are based on salaries in place as at 1 March 2025
2 Proposed changes include base pay adjustments effective from 1 September 2025
3 Long-term incentive awards are delivered as grants of performance shares, with three-year performance conditions plus a two-year deferral period (i.e. five years in total). The target LTI percentages shown in the tables above assume LTIP grants of performance shares vest at 60% of maximum
4 Target total direct compensation includes on-target levels of incentive payments. The Committee has also considered the relativity of the proposed changes assuming maximum potential outturns and the relative positioning of the proposed changes to the peer group would be broadly consistent to the on-target compa-ratio

2. Shareholding requirement – aligning with shareholder interests

To ensure continued alignment of management interests with shareholder interests, the shareholding requirement for the Chief Executive will increase from 400% to 750% of base salary and for the Chief Financial Officer from 300% to 450% of base salary. This aligns the shareholding requirement with the new LTIP grant levels, and increases the number of shares our Executive Directors will be required to hold for two years following cessation of employment.

There are no further changes proposed to the policy.

No Executive Director was present during discussion of their own remuneration package and they were not involved in the final approval of the new remuneration policy design.

Consideration of shareholder feedback

During the policy review process we consulted with our 24 largest shareholders, who collectively hold over 50% of our share capital. We set out our proposals in writing and subsequently held twelve shareholder meetings and received nine written responses. We also met with three proxy advisers. We are pleased to confirm that there was consistent and positive support from shareholders, and a strong understanding of our rationale and approach from proxy advisers.

The Committee wholly believes that effective shareholder alignment requires appropriately stretching targets. Performance targets are set following a rigorous process including several internal and external reference points, including the business plan and analyst consensus estimates at the time the targets are set.

Remuneration policy table

The table below sets out each element of the Executive Directors' remuneration, which is subject to shareholder approval at the AGM to be held in April 2026.

Base salary	
Purpose and link to strategy	We provide competitive salaries to attract and retain individuals of the highest calibre to develop and execute the business strategy.
Operation	Salaries are reviewed annually but not necessarily increased. Decisions on salary are informed, but not led, by reference to: — size and scope of the role; — skills and experience of the individual; — market competitiveness of the broader remuneration package; — performance of the Group and individual; — wider market and economic conditions; and — increases made across the Group. The Committee has the flexibility to set the salary of a new hire at a discount to the market and to realign it in subsequent years as the individual gains experience in the role. In exceptional circumstances, the Committee may agree to pay above market levels to secure or retain an individual who is considered by the Committee to possess significant and relevant experience that is critical to the delivery of the Group's strategy. No recovery or withholding applies.
Maximum opportunity	There is no formal maximum. Any salary increases will be assessed annually and will not normally exceed average increases for employees in other appropriate parts of the Group. Where the Committee considers it necessary or appropriate, larger increases may be awarded in individual circumstances, including but not limited to: where there is a significant change in the scale, scope or responsibility of a role; where the organisation has undergone significant change; development within a role; and/or significant market movement.
Performance measures	Not applicable, although overall individual and business performance is considered when setting and reviewing base salary.

Benefits	
Purpose and link to strategy	We provide competitive benefits suitable to attract and retain individuals of the right calibre to develop and execute the business strategy and to support their wellbeing.
Operation	A range of benefits may be provided including, but not limited to, provision of a company car or car allowance; financial planning and tax assistance; private medical insurance; life assurance; and other appropriate benefits at the discretion of the Committee. Relocation support or support for accommodation and travel may be offered to executives where necessary. Executive Directors may participate in the Group's all-employee share plans. No recovery or withholding applies.
Maximum opportunity	There is no formal maximum. The cost of benefits is not predetermined, reflecting the need to allow for increases associated with the provision of benefits. Benefit costs are reviewed regularly to ensure they remain cost-effective. Participation in any tax advantaged share schemes is capped at the same level as other participants, which is determined by the Group within the bounds of any applicable legislation which may change from time to time.
Performance measures	Not applicable.

Remuneration policy table continued

Retirement	
Purpose and link to strategy	We provide a competitive retirement savings plan suitable to attract and retain individuals of the right calibre to develop and execute the business strategy.
Operation	Executive Directors are offered membership of a retirement savings plan. A cash allowance may be payable in lieu of contributions to the plan. In certain jurisdictions it may be more appropriate to offer more bespoke retirement arrangements. The Committee will give due consideration to local employment legislation, market practices and the cost of the plan.
Maximum opportunity	The maximum employer contribution for the Executive Directors is aligned with that made available to the wider workforce, being 12% of base salary in the UK.
Performance measures	Not applicable.

Annual incentive	
Purpose and link to strategy	We reward annual performance against stretching financial, strategic and individual targets aligned to delivery of the Group's strategy. Deferral reinforces retention and enhances alignment with shareholders by encouraging longer-term focus and sustainable performance.
Operation	The Group operates an Annual Incentive Plan which may be based on a combination of financial, operational and individual performance measures aligned to the Group's strategy. At least half the annual incentive awarded in any year will be deferred into shares for Executive Directors who have not achieved the shareholding guideline. If the Executive Director has exceeded their in-employment shareholding guideline, but has not achieved a level of double the shareholding guideline, the level of annual incentive deferral into shares reduces from 50% to 25% of salary. Should the Executive Director achieve double the shareholding guideline then the annual incentive would pay out fully in cash. The deferral period will normally be for a period of three years. The Committee has discretion to permit a dividend equivalent amount to accrue on shares delivered under the deferred annual incentive arrangement. Vesting of deferred shares is dependent on continued employment or good leaver status, as described in the notes to the policy table from page 93. The Committee retains the discretion, acting fairly and reasonably, to alter the annual incentive outcome in light of the underlying performance of the Group, taking account of any factors it considers relevant. Clawback will apply to any cash incentive paid for three years from the date of the cash payment being made, and malus will apply to any deferred shares within the three year deferral period.
Maximum opportunity	The maximum annual incentive opportunity for Executive Directors is 300% of base salary.
Performance measures	The incentive may be based on a combination of financial, operational and individual measures which the Committee will review on an annual basis. The precise allocation between financial and non-financial measures, as well as weightings within these measures, will depend on the strategic focus of the Group from year to year. At least 50% of the performance measures will be financial. Up to 25% of the maximum incentive opportunity is paid for achieving a threshold level of performance and the maximum incentive is paid for delivering stretching levels of business performance and outstanding personal performance. No incentive is payable if threshold levels of performance are not achieved.

Remuneration policy table continued

Long-term incentive plan	
Purpose and link to strategy	We incentivise the execution of strategy and seek to drive long-term value creation and alignment with long-term returns to shareholders.
Operation	Awards under the LTIP are conditional rights to receive shares subject to continued employment or good leaver status and the achievement of any relevant performance conditions. Awards are subject to performance targets normally assessed over three financial years and subject to a two year holding period. The Committee has discretion to set different performance periods if it considers appropriate. The Committee shall determine the extent to which the performance measures have been met. The Committee may make adjustments to performance targets if an event occurs or circumstances arise which cause the Committee to determine that performance conditions are no longer appropriate. The performance targets will be at least as challenging as the ones originally set. The Committee has discretion to permit a dividend equivalent amount to accrue on shares during the holding period under the LTIP. The Committee has the ability to exercise discretion in adjusting the formulaic outcome of incentives to ensure the outcome is reflective of the performance of the Group and the individual over the performance period. Malus and clawback apply for six years from the date of grant (see page 94).
Maximum opportunity	The maximum long-term incentive award for Executive Directors is 750% of base salary.
Performance measures	The Committee determines performance measures and weightings each year and will ensure that the targets are stretching and support value creation for shareholders while remaining motivational for management. The precise measures and weightings will be determined by the Committee on an annual basis and will depend on the strategic focus of the Group year-to-year. A minimum of 90% of measures will be financial. Measures for the 2025 award included: free cash flow (30%); operating margin percentage (30%); relative total shareholder return (30%); and Scope 1 + 2 greenhouse gas emission targets (10%). For 2026, the measures will include a one-third weighting to each of: free cash flow, operating margin and relative total shareholder return. For each performance element, achievement of the threshold performance level will result in no more than 20% of the maximum award paying out. For achievement of the maximum performance level, 100% of the maximum pays out. No amount is payable if threshold levels of performance are not achieved. The Committee will review the measures each year, and will consider whether it is appropriate to change the measures to ensure continued alignment to strategic priorities.

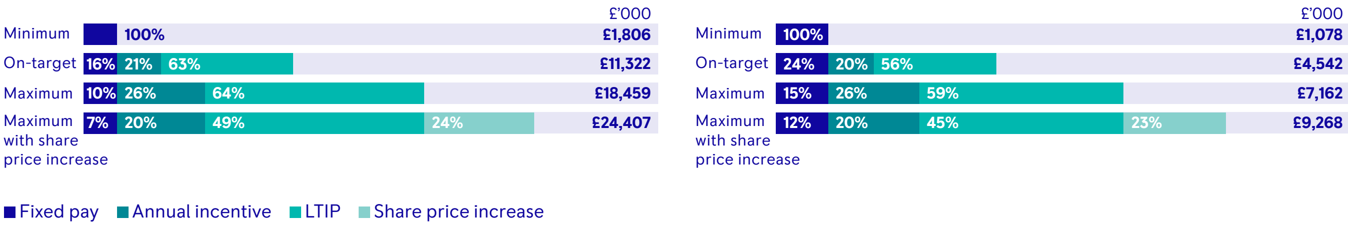
Share ownership	
Purpose and link to strategy	Ensures alignment with shareholders' interests.
Operation	Executive Directors are required to build a holding of share interests equivalent in value to a percentage of their base salary within five years from the date they become subject to the Policy. From 2026, the shareholding requirement will increase to reflect the LTIP grant level, which for the Chief Executive is 750% of base salary, and for the Chief Financial Officer and any other Executive Director is 450% of base salary. Where requirements are not met, Executive Directors must retain at least one half of after-tax shares released from the deferred bonus arrangements and the LTIP until this requirement is met. Post-cessation, Executive Directors are normally required to retain the lower of the shareholding requirement or their actual shareholding at leaving date for 24 months.

Remuneration policy – worked examples for 2026

The tables below provide an illustration of what could be received by each Executive Director for awards granted in, and remuneration for, the 2026 performance year, assuming minimum, on-target and maximum levels of performance. The maximum with share price increase scenario shows the impact of 50% share price growth on the LTIP shares.

TUFAN ERGINBILGIC
CHIEF EXECUTIVE

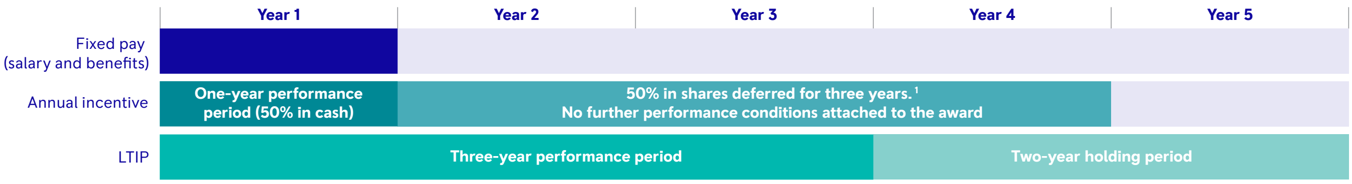
HELEN MCCABE
CHIEF FINANCIAL OFFICER



Minimum	Fixed remuneration (salary, retirement, benefits)
On-target	Fixed remuneration, on-target annual incentive (equivalent to 150% of salary for the Chief Executive and 100% of salary for the Chief Financial Officer) and 60% vesting of the LTIP (equivalent to 450% for the Chief Executive and 270% for the Chief Financial Officer)
Maximum	Fixed remuneration, maximum annual incentive (equivalent to 300% of salary for the Chief Executive and 200% of salary for the Chief Financial Officer) and 100% vesting of the LTIP (equivalent to 750% for the Chief Executive and 450% for the Chief Financial Officer)
Maximum assuming 50% increase in share price	All elements are the same as the maximum but assumes a 50% increase in the share price from the date that the shares are granted

Alignment with shareholders

The table below illustrates how the policy aligns the interests of Executive Directors with the long-term interests of shareholders. A significant portion of the total compensation package will be delivered in shares. 50% of the annual incentive will be deferred into shares for a period of three years and the long-term incentive plan will have a three-year performance period followed by a two-year holding period.



1 Deferral of 50% of the annual incentive will apply unless an Executive Director has satisfied at least their minimum shareholding requirement. Twenty-five percent of the annual incentive will be deferred if the shareholding requirement is met in full. No deferral will apply where an Executive Director holds over 200% of their shareholding requirement. Information on the current shareholding requirements for the Executive Directors can be found on page 105.

Notes to the Remuneration policy table

Performance measure selection and setting

The annual incentive measures are determined annually to reflect matters which the Committee considers to be areas of specific focus for the Executive Directors over the short term. The Committee believes that using a number of measures provides a balanced incentive. The measures themselves are aligned to, and are designed to support the delivery of, the Group's strategic objectives.

The Committee sets performance conditions relating to the LTIP awards which are designed to align the interests of management and shareholders, incentivise management to deliver the Group's strategic objectives and reward performance over the longer term.

Targets for the annual incentive and performance measures for the LTIP awards are reviewed and set before the awards are made, based on a number of internal and external reference points, including strategic plans and analyst consensus to reflect market expectations where available. The Committee intends that the targets will be stretching and will align management's interests with those of shareholders. The measurement of performance is at the Committee's discretion, which may include appropriate adjustments to financial or non-financial elements and/or consideration of overall performance in the round. Adjustments may be either upwards or downwards.

In exceptional circumstances, performance conditions may also be replaced or varied if an event occurs or circumstances arise which cause the Committee to determine that the performance conditions have ceased to be appropriate.

Malus and clawback provisions

Malus and clawback apply to the annual incentive and the LTIP. Malus allows the Committee, in its absolute discretion, to determine at any time prior to the vesting of an award, to reduce or cancel the award. Clawback allows the Committee, in its absolute discretion, to claw back from individuals some or all of the vested awards or paid annual incentives. Malus and clawback may apply in certain circumstances, including:

— a material misstatement of audited results;

— serious financial irregularity;

— material financial downturn or an event causing a material negative impact on the value of the Group;

— material failure of risk management;

— a serious breach of Our Code;

— individual misconduct or actions that materially damage, or are likely to materially damage, the Group;

— acting in a way which has materially damaged the reputation of the Group or any member of the Group;

— a breach of or inadequate response to a significant HSE or other environmental issue;

— materially incorrect calculation of an award; and/or

— failure to adequately manage/supervise others which in turn led to one of the above triggers and/or materially incorrect calculation of an award.

Policy on new appointments

The Board will appoint new Executive Directors with a reward package recommended by the Committee that is in line with the remuneration policy. Base salary may be set at a higher or lower level than the previous incumbent. The maximum incentive opportunity on appointment will be no higher than the maximum of the shareholder approved remuneration policy, which is 300% for the annual incentive and 750% for the LTIP.

Remuneration forfeited on resignation from a previous employer may be compensated. This will be considered on a case-by-case basis and may comprise cash or shares. In general:

— if such remuneration was in the form of shares, compensation will be in the Company's shares;

— if remuneration was subject to achievement of performance conditions, compensation will, where possible, be subject to performance (either Rolls-Royce performance conditions or actual/forecast performance outturns from the previous company); and

— the timing of any compensation will, where practicable, match the vesting schedule of the remuneration forfeited.

Legacy terms for internal appointments may be honoured, including any outstanding incentive awards. If an Executive Director is appointed following a merger or an acquisition of a company by Rolls-Royce, legacy terms and conditions may be honoured.

Where an Executive Director is required to relocate from their home location to take up their role, the Committee may provide reasonable relocation assistance and other allowances including expatriate assistance. Global relocation support and any associated costs or benefits (including but not limited to housing, school fees, tax preparation and filing assistance and flights back to the home country) may also be provided if business needs require it. Should the Executive's employment be terminated without cause by the Group, repatriation costs may be met by the Group.

The Company may agree to pay the reasonable legal fees incurred by a new appointee for advice received in relation to their contract of employment or service agreement.

Wider workforce considerations

The Committee has responsibility for overseeing pay arrangements of all our people and reviews broader workforce policies and practices in order to support decisions on executive pay. When setting remuneration for Executive Directors and senior management, the Committee carefully considers wider remuneration across the Group, including salary increases, annual incentive awards, share plan participation and pay ratios between Executive Directors and employees.

Paying our people fairly relative to their role, skills, experience and contribution is central to our approach to remuneration. The Group's reward framework and policies fundamentally support this. The remuneration policy for senior executives and other employees is determined based on similar principles to Executive Directors. For roles below the Board, the exact structure and balance are tailored based on various factors including the scale, scope or responsibility of the role, development within the role and local market practice.

We drive alignment through the organisation with our incentives and our all-employee share plans. The Annual Incentive Plan performance measures cascade from Executive Directors to the vast majority of our wider workforce and our LTIP plan cascades to over 5,000 global leaders as well as our key talent groups, totalling approximately 14% of our global workforce. This drives alignment of organisational and individual objectives, ensuring that the wider workforce is driving the key metrics which will help us to continue to deliver a step-change in our performance and enable our strategy. Our reward arrangements are subject to regular consultation activity with leaders, employees and their representatives.

The Committee is committed to driving a culture of employee share ownership, with 2025 being a pivotal year on this journey. The all-employee share plan transitioned from a Save As You Earn plan, which was cash settled outside of the UK and share settled in the UK, and saw the launch of a global purchase plan (Your Shares: Matched), where the Company matches personal investment up to a certain value each month, allowing all colleagues to become shareholders. The Committee is pleased with the level of engagement with the new plan, with 66% of eligible colleagues choosing to participate.

We awarded all global colleagues 150 free shares on 12 September 2024 when our share price was £4.93, making the entire workforce shareholders. These shares vested in all countries outside of the UK on 12 September 2025, having benefited from a return of approximately 130%. For colleagues in the UK, these shares will vest in 2027. The Committee firmly believes that share ownership drives engagement with both business and share price performance, and reinforces the message that we all benefit if the business succeeds. Not only does employee share ownership ensure greater alignment of financial interests, it provides our people with additional voice in corporate matters as a result.

Share plans

The Committee retains a number of discretions consistent with the relevant share plan rules. For example, in the event of any variation in the share capital of the Company, a demerger, special dividend, distribution or any other transaction which will materially affect the value of shares, the Committee may make an adjustment to the number or class of shares subject to awards.

The treatment of leavers, including change of control provisions, in all of our share plans is covered by the respective plan rules.

Service contracts

A summary of the key elements of the Executive Directors' service agreements as they relate to remuneration are as follows:

Contract duration	No fixed term.
Notice period	12 months' notice both to and from the Executive Director.
Payment in lieu of notice (PILON)	Employment can be terminated with immediate effect by undertaking to make a PILON comprising base salary, retirement contributions or allowance, car allowance and a sum representing the cost of private medical insurance. The Company may elect to provide private medical insurance and/or to allow an Executive Director to retain their company car through the notice period, or the balance of it, as an alternative to making cash payments. The Company is entitled to make the PILON on a phased basis, subject to mitigation, so that any outstanding payment(s) would be reduced or stopped if alternative employment is obtained.
Change of control	The service agreements for Executive Directors do not contain change of control provisions. However, if there is a change of control of the Company or other specified Company events, the relevant plan rules contain details on the impact for awards. In most cases, this is likely to result in the awards vesting early but subject to still meeting any applicable performance conditions, as decided by the Committee, which may have regard to projected performance over the whole period, and applying time prorating. Alternatively, awards may be exchanged for new awards over shares in the acquiring company in some circumstances.
Other entitlements on termination	There is no contractual entitlement to notice or any other payments in respect of the period after termination of employment if the individual is summarily dismissed. Please see payments for loss of office over the page for a summary of other entitlements which may be due upon termination and which relate to remuneration.

Payments for loss of office

The Company's policy on payments for loss of office is as follows.

The relevant share plan rules govern the treatment of in-flight share awards when an Executive Director leaves. The table below summarises leaver provisions for good leavers.

Good leavers are those who have left the Group due to: death; ill-health, injury or disability; redundancy; retirement with the agreement of the Group; the sale or transfer of the business in which the Executive Director is employed to a company which is not a member of the Group; the participant's employing company ceasing to be a member of the Group; and other such circumstances approved by the Committee.

All awards will normally lapse if an individual leaves the Company for any reason other than a good leaver reason. The Committee will not exercise discretion where a participant is dismissed for gross misconduct.

The Company may agree to pay the reasonable legal fees for the advice received in relation to the termination of employment.

Component	Approach
Annual incentive	Individuals who are determined by the Committee to be good leavers may be considered for an annual incentive in relation to the year in which their active employment ceases. When deciding whether to exercise its discretion to allow a payment in respect of an annual incentive (and, if so, its amount and the terms on which it may be paid), the Committee will consider such factors as it considers to be appropriate, including performance against targets, the performance of the individual and the Group in general and the circumstances in which the individual is leaving office. Any payment to a good leaver in respect of an annual incentive will typically be made at the same time as annual incentives are paid to other employees. Clawback will continue to apply to the cash element of any payment made in respect of an annual incentive. The Committee will determine if it is appropriate in the particular circumstances to apply incentive deferral. Deferred shares allocated will vest in full on the vesting date if an individual is determined by the Committee to be a good leaver unless the Committee, in its absolute discretion, determines that an award will vest on such earlier date on or following the date of such cessation as it may specify. Otherwise, they will lapse on exit.
Long-term incentive plan	If an individual is determined by the Committee to be a good leaver, LTIP awards will normally continue to vest on the original vesting date and any holding period will normally still apply (subject to the satisfaction of performance conditions and unless the Committee exercised its discretion to waive time prorating, which will apply to reflect the period worked). If an individual leaves during the holding period for any reason (except summary dismissal) the award will not lapse or be prorated for time but the holding period will normally remain in force.
GESPP and SIP schemes	Awards under all employee plans (Global Employee Share Purchase Plan and the Share Incentive Plan) are subject to the same leaver provisions as all other participants, as prescribed by the rules of the relevant scheme or plan.

Legacy commitments

Any remuneration payments and/or payments for loss of office made under legacy arrangements prior to the approval of the remuneration policy may be paid out subject to the terms of the remuneration policy in place at the time they were agreed. For these purposes, payments include satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment will be agreed at the time the award is granted. Unvested Annual Incentive Plan awards issued under the previous policies, along with any salary that was deferred into shares, will vest on the usual vesting dates, consistent with the terms of that policy. LTIPs granted under previous policies remain in place, consistent with the terms of those policies.

Minor amendments

The Committee may make minor amendments to the policy (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval.

Non-Executive Directors' remuneration

The table below sets out the main elements of Non-Executive Directors' remuneration.

Fees	
Purpose and link to strategy	To reward individuals for fulfilling their role and attract individuals of the skills and calibre required.
Operation	The Committee makes recommendations to the Board on the Chair's remuneration. The Chair and the Executive Directors determine the remuneration of the Non-Executive Directors. The fees for Non-Executive Directors are set at a level which is considered appropriate to attract individuals with the necessary skills and experience. Fees are periodically reviewed to ensure they remain appropriate in the context of: the role scope; company size; complexity and global breadth; and wider market conditions. The Chair is normally paid a single fee which reflects the commitment, demands and responsibility of the role and may be paid in either cash or shares or a combination of both. Other Non-Executive Directors are normally paid a base fee and additional fees for Board Committee chairmanship and membership responsibilities. The Senior Independent Director, Employee Champions and the Rolls-Royce North America Board director receive an additional fee for these additional duties. Non-Executive Director fees may be paid in either cash or shares or a combination of both. Non-Executive Directors are not eligible to participate in the annual incentive or LTIP.
Maximum opportunity	The current limit on the aggregate fees is set out in the Articles of Association which may be amended by a shareholder vote.
Performance measures	Not applicable.

Benefits	
Purpose and link to strategy	To reimburse Non-Executive Directors for reasonable expenses incurred in fulfilling the duties of their role.
Operation	Reimbursement for expenses that may include, but are not limited to, travel, hotel and subsistence incurred when attending meetings. The Group may provide support with tax matters for Non-Executive Directors based outside the UK. The Chair may have occasional use of chauffeur services. The Group may pay tax on benefits provided to Non-Executive Directors.
Maximum opportunity	Not applicable.
Performance measures	Not applicable.

Implementation of remuneration policy for 2026

Base salary

The salaries for the Chief Executive and the Chief Financial Officer were reviewed in September 2025. No increase is proposed in 2026. Base salaries will next be reviewed in March 2027.

Benefits

There will be no change to our approach to benefits in 2026, which includes car allowance, financial planning assistance, insurances and other benefits.

Retirement

The cash allowance for Tufan Erginbilgic and Helen McCabe is 12% of salary, in line with the rate made available to the wider UK workforce.

Annual incentive

In line with the proposed policy, the annual incentive for 2026 will be based on 80% Group performance and 20% individual performance, with a maximum opportunity for Tufan Erginbilgic of 300% of salary and Helen McCabe of 200% of salary. At least half of the annual incentive awarded in any year will be deferred into shares which will vest after three years for Executive Directors who have not achieved the shareholding guideline.

The performance metrics continue to reflect the key strategic priorities for the Group, and remain unchanged for 2026, with an 85% weighting to financial metrics, and 15% to non-financial (customer; safety and people) metrics.

The metrics and associated weightings will be:

Metric	Weighting	Link to strategy
Free cash flow	40%	A fundamental KPI which helps to measure the level of value we are creating for our shareholders. It enables the business to fund growth, reduce debt and make shareholder distributions.
Operating profit	30%	Indicates how the effect of growing revenue and control of our costs delivers value for shareholders.
Strategic objectives (split 5% customer and 15% operating profit margin)	20%	Incentivises the delivery of key annual objectives linked to the transformation. Customer delivery and continuing focus on margin improvement are both critical to increasing the quality and sustainability of financial returns.
Safety	5%	Safety is the Group's licence to operate and is the number one priority for all of our people.
People	5%	Our Voices survey is an objective way of assessing how engaged our employees are with the business, its leaders and our transformation.

Where targets are set with a one-year performance period and are considered to be commercially sensitive, they will be disclosed following the end of the performance period, along with performance against targets and the details and context for the assessment of performance.

The Committee may make appropriate adjustments and use judgement in assessing performance outcomes. It retains its overriding ability to apply discretion to adjust any formulaic outcome to ensure that the final outcome is fair and justified in the context of the overall performance of the business.

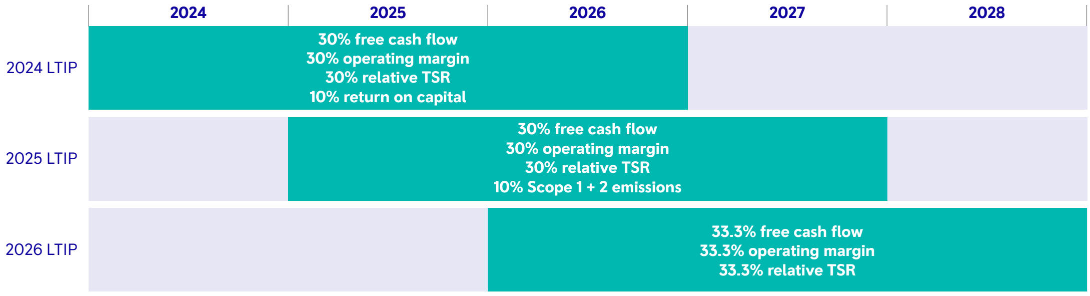
Implementation of remuneration policy for 2026 continued

Long-term incentive plan

The long-term incentive has a three-year performance period and a two-year holding period, with a maximum opportunity of 750% of salary for Tufan Erginbilgic and 450% for Helen McCabe.

For each performance element, achievement of threshold will result in no more than 20% of the maximum pay out and no amount payable for an element if the threshold is not met. Achievement of the maximum performance would result in 100% of the maximum award paying out.

Since we re-introduced a market-typical LTIP in 2024, the metrics have been updated each year to reflect our key strategic priorities at the time. This is demonstrated in the table below. Cash, profit and relative share performance remain consistent metrics. Return on Capital in the 2024 LTIP and a Scope 1 + 2 related metric in the 2025 LTIP continue to drive long-term focus and action in these key areas. The Committee will continue to consider LTIP metrics each year in light of our strategic priorities each year.



2026 metrics

Metrics	Weighting	Threshold [1] (20% vesting)	Maximum [1] (100% vesting)	Link to strategy
Free cash flow (three-year cumulative)	33.3%	£13.0bn	£13.6bn	A fundamental KPI which helps to measure the level of value we are creating for our shareholders. It enables the business to fund growth, reduce debt and make shareholder distributions.
Operating margin % (average over three-year performance period)	33.3%	18.7%	19.5%	Reflects the quality of performance and will encourage continued cost focus across the Group.
Relative TSR (50% versus the FTSE 100 constituents and 50% versus the S&P global industrials index constituents)	33.3%	Median	Upper quartile	Closely aligns executive pay outcomes with the shareholder experience, a measure favoured by a large proportion of our shareholder base.

1 Outturn between threshold and maximum will be calculated on a straight-line sliding scale

The Committee may make appropriate adjustments and use judgement in assessing performance outcomes. It retains its overriding ability to apply discretion to adjust any formulaic outcome to ensure that the final outcome is fair and justified in the context of the overall performance of the business.

The long-term incentive opportunities and time horizons will operate in accordance with the remuneration policy.