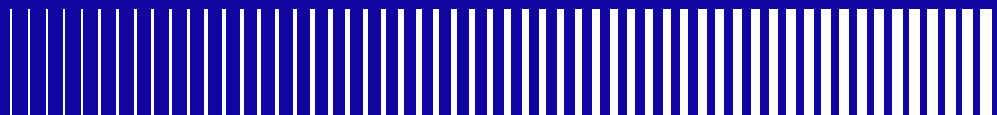


GOVERNANCE REPORT



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Chair's introduction

As Chair of the Board, I am pleased to introduce our governance report for 2024.

At Rolls-Royce, we believe that good governance is the foundation of sustainable success. In 2024, we continued to build on our solid bases of leadership, oversight and accountability. In a period of significant change for the Group, the Board has remained committed to guiding this transformation while upholding the highest standards of governance.

Strengthened governance structures

Our 2023 Annual Report described the introduction of a new Board committee, the Safety, Energy Transition and Tech (SETT) Committee. The alignment of the committee structures of both the Board and the Executive Team is working well and has enabled appropriate focus, oversight and delivery of our transformation programme. For example, during 2024, the SETT Committee looked in depth at our revised sustainability strategy before it was considered and approved by the Board. Their insights contributed to better discussions and output. A full report of the SETT Committee's activities during the year is set out on page 111.

At the Nominations, Culture & Governance Committee, we are regularly updated on the succession pipeline and associated development initiatives for our senior leaders. In 2024, this included considering our talent programmes (see People and culture, page 46). A full report of the Nominations, Culture & Governance Committee can be found on page 80.

To ensure compliance with the revised 2024 Code, we will ensure our governance framework evolves not only to meet the regulatory requirements but also to uphold the highest possible standards of transparency and stewardship relevant to the Group.

Board effectiveness

We have undertaken a review of the performance of the Board and its Committees in 2024 to enable us to continuously improve as a Board (see page 77). Overall, the outcome of the review was positive with encouraging feedback about the effectiveness of the Board and its Committees. The areas of oversight which had improved during 2024 were recognised, such as risk management and recognition was given to the new Safety, Energy Transition & Tech Committee which worked well. A number of areas for continuing focus in 2025 were also identified for the Board and its Committees which you can read about on page 77 and in the individual Committee reports.

Engaging with our stakeholders

We take every opportunity to engage with our stakeholders where appropriate, recognising the importance of consistent communication to remain updated on their views and interests. Our engagement has influenced the Board over the course of the year in our discussions and decision-making. I have highlighted below how we have interacted with our people and our shareholders during 2024. Our full stakeholder engagement report on pages 64 and 65 provides more detail.

Our people

My Board colleagues and I value the opportunity to meet and hear from our people across the Group and two particularly important initiatives support the Board in ensuring they hear the employee voice:

- Firstly, the Meet the Board events which, in 2024, were held in Derby, UK in May and in Indianapolis, US in September. These events allow our people across the business to engage directly with my fellow Board Directors, encouraging open dialogue on issues that matter to them.
- Secondly, our Employee Champions, Bev Goulet and Wendy Mars, play a critical role in reaching out to our colleagues. Through site visits and engagement forums, they gather feedback and ensure that any concerns are raised in the boardroom.

Alongside these opportunities, members of the Board also engaged with our people at site visits to Reston, Washington, US and to Friedrichshafen, Germany during 2024.

In 2024, we introduced our new purpose and behaviours. My Board colleagues and I look forward to engaging with our people during 2025, supporting them in their understanding of how their actions bring our values to life and support the Group with the delivery of our strategy. For more information on Our purpose, see page 10.

Our shareholders

During the year, I met with several of our major institutional investors to understand their views of Rolls-Royce and in May we held our AGM.

Our 2024 AGM was fully hybrid, allowing shareholders to participate virtually or in person. This approach reflects our commitment to leverage technology to strengthen engagement and create opportunities for shareholders to connect directly with the Board. We will use this hybrid format again for our 2025 AGM to be held on 1 May 2025. I look forward to engaging with our shareholders in person and virtually at this time. Details of the AGM will be available to our shareholders in mid-March 2025.

Looking forward





Our focus for 2025 will include succession planning and talent and development, continuously strengthening our governance framework and supporting a culture that empowers our people to excel.


I would like to thank my fellow Directors for their unwavering commitment and invaluable counsel. I am confident that the combination of experienced leadership, diverse thinking and transparent governance makes us well positioned to navigate the opportunities and challenges ahead.

Dame Anita Frew

Chair

Board of Directors

Position	Board skills and competencies	Key external appointments
 <p>DAME ANITA FREW Chair of the Board Chair, Nominations, Culture & Governance Committee</p> <p>Appointed to the Board on 1 July 2021 and as Chair on 1 October 2021</p>	<p>Dame Anita brings a wealth of extensive leadership and global experience from more than two decades of board appointments, both in the UK and internationally. Together, with her skills and reputation with investors and government institutions, her broad knowledge of strategic management across a range of sectors is invaluable to the Board and the Group as a whole.</p>	<p>Current</p> <ul style="list-style-type: none"> Industrial strategy advisory council (UK Government), member <p>Past</p> <ul style="list-style-type: none"> Croda International plc, chair
 <p>TUFAN ERGINBILGIC Chief Executive</p> <p>Appointed to the Board on 1 January 2023</p>	<p>Tufan is a proven leader of winning teams within complex multinational organisations, with over six years as CEO of BP's downstream business. He drives a high-performance culture and delivers results for investors. He has extensive strategic and operational experience and a firm understanding of safety critical industries as well as the challenges and commercial opportunities presented by the drive for low carbon technologies. He has a strong track record for execution, delivery and the creation of significant value and an ambition to deliver the full potential of Rolls-Royce's market positions.</p>	<p>Current</p> <ul style="list-style-type: none"> Iveco Group NC, NED UK PM's 2024 Business Council <p>Past</p> <ul style="list-style-type: none"> Global Infrastructure Partners, partner & senior adviser BP p.l.c., various executive roles DCC plc, NED Türkiye Petrol Rafinerileri A.Ş., NED GKN plc, NED
 <p>HELEN MCCABE Chief Financial Officer</p> <p>Appointed to the Board on 4 August 2023</p>	<p>Helen has a track record of promoting rigorous financial discipline and her experience of delivering effective performance management within complex multi-national engineering organisations will be invaluable as the Group moves, at pace, to transform Rolls-Royce. Her skillset complements the existing capabilities of the Executive Team, contributing to Rolls-Royce delivering on its significant potential.</p>	<p>Past</p> <ul style="list-style-type: none"> BP p.l.c., various leadership roles
 <p>BIRGIT BEHRENDT Independent Non-Executive Director</p> <p>Appointed to the Board on 11 May 2023</p>	<p>Birgit brings deep experience across global procurement and supply chain management to the Board. Alongside this, she has significant insight into the development and management of international joint ventures (JV), having led Ford's key European JV's. She also has a strong track record and an ongoing interest in developing, mentoring and coaching key talent and encouraging women in particular to consider a career in STEM. She has worked in the US and Germany and brings deep experience of working with unions and works councils.</p>	<p>Current</p> <ul style="list-style-type: none"> Umicore SA, NED Thyssenkrupp AG, NED KION Group AG, NED <p>Past</p> <ul style="list-style-type: none"> Ford, various executive roles Ford-Werke GmbH, NED
 <p>STUART BRADIE Independent Non-Executive Director</p> <p>Appointed to the Board on 11 May 2023</p>	<p>Stuart brings to the Board a reputation for building strong relationships and successfully driving comprehensive organisational transformation. Over the past nine years, Stuart has guided KBR's evolution, prioritising a focus on people alongside strong commercial discipline. KBR delivers disruptive technologies and digital solutions that address areas of global importance. Stuart has used a safety and ESG focus to deliver cultural change and helped make KBR the number one in its peer group in delivering against its ESG agenda.</p>	<p>Current</p> <ul style="list-style-type: none"> KBR, President & Chief Executive
 <p>PAULO CESAR SILVA Independent Non-Executive Director</p> <p>Appointed to the Board on 1 September 2023</p>	<p>Paulo brings deep expertise in the aerospace industry, a broad international mindset and an appetite for growth, change and innovation. Alongside this, he brings a wealth of strategic, commercial and operational experience to the Board's discussions. He also brings considerable finance experience having spent his early career in senior finance roles.</p>	<p>Current</p> <ul style="list-style-type: none"> Electra.Aero, adviser <p>Past</p> <ul style="list-style-type: none"> Embraer S.A., president & CEO Cemig, NED
 <p>GEORGE CULMER Senior Independent Director</p> <p>Appointed to the Board on 2 January 2020</p>	<p>George has a strong track record as a senior finance professional with significant experience gained in large, international, highly regulated groups with high cyber threat profiles and has proven business leadership credentials. With this experience, together with his strengths in change leadership and transformation gained from within complex groups, George makes a significant contribution to the Board.</p>	<p>Current</p> <ul style="list-style-type: none"> Aviva plc, chair <p>Past</p> <ul style="list-style-type: none"> Lloyds Banking Group plc, CFO RSA Insurance Group plc, group financial officer









Position	Board skills and competencies	Key external appointments
 <p>LORD JITESH GADHIA Independent Non-Executive Director Chair, Remuneration Committee</p> <p>Appointed to the Board on 1 April 2022</p>	<p>Lord Jitesh brings a wealth of complex advisory and transactional experience to the Board, having spent nearly 25 years in the banking and private equity sector. He has extensive remuneration experience, earned from both listed companies and UK Government Investments and UK Financial Investments, where he played a key role in compensation discussions about the Government's investments in some of the UK's biggest companies. This, together with his broad industry experience, is an asset to the Board and the Remuneration Committee.</p>	<p>Current</p> <ul style="list-style-type: none"> – Taylor Wimpey plc, SID – Compare the Market Limited, NED – Intas Pharmaceuticals, NED – Court of Directors of the Bank of England, NED <p>Past</p> <ul style="list-style-type: none"> – UK Government Investments, NED – Blackstone Group, senior MD
 <p>BEVERLY GOULET Independent Non-Executive Director Rolls-Royce North America Holdings, Inc., board member. Lead Employee Champion</p> <p>Appointed to the Board on 3 July 2017</p>	<p>Having spent a considerable amount of her career in the airline industry, Bev brings valuable knowledge and operational experience to the Board. She has significant expertise in finance, treasury, strategy, legal and governance matters. She has the expertise and experience to be able to confidently contribute to decision-making and actively take part in developing and strengthening our businesses.</p>	<p>Current</p> <ul style="list-style-type: none"> – Xenia Hotels & Resorts, Inc., NED – Answer ALS Foundation, foundation board chair <p>Past</p> <ul style="list-style-type: none"> – American Airlines, Inc., various executive roles – American Airlines Federal Credit Union, chair – Atlas Air Worldwide Holdings, Inc., NED
 <p>NICK LUFF Independent Non-Executive Director Chair, Audit Committee</p> <p>Appointed to the Board on 3 May 2018</p>	<p>Nick is an experienced finance executive having been chief financial officer of a number of listed companies across a variety of industries. He has broad financial skills and a track record of driving business performance. His extensive non-executive and audit committee experience, together with both financial and accounting expertise and a passion for engineering, is crucial in his role as Chair of the Audit Committee and is invaluable to the Board.</p>	<p>Current</p> <ul style="list-style-type: none"> – RELX plc, CFO <p>Past</p> <ul style="list-style-type: none"> – Centrica plc, CFO – Lloyds Banking Group plc, NED – QinetiQ Group plc, NED
 <p>WENDY MARS Independent Non-Executive Director Chair, Safety, Energy Transition & Tech Committee. Employee Champion</p> <p>Appointed to the Board on 8 December 2021</p>	<p>As a leader, Wendy has overseen diverse teams across sales, engineering and innovation in 123 countries. She brings experience and insight across hardware, software and services with a deep understanding of technological transformation of complex global organisations. Wendy's knowledge of both the technical steps needed to foster innovation in a technology company as well as the challenging realities of its implementation in organisations at different stages of their transformation journey is invaluable to the Board and the Group as a whole. Technology can play a significant role in helping businesses to achieve their sustainability objectives; Wendy brings this experience to the Board.</p>	<p>Past</p> <ul style="list-style-type: none"> – Cisco Systems, Inc., president Europe, Middle East and Africa region (EMEA) – ThruPoint, Inc., various executive roles
 <p>DAME ANGELA STRANK Independent Non-Executive Director</p> <p>Appointed to the Board on 1 May 2020</p>	<p>Dame Angela brings a wealth of corporate experience to the Board and a proven track record in managing engineering operations and driving technology, science and engineering research programmes. Having actively worked in climate research and pioneering women in STEM careers, sustainability and corporate ethics are key areas of interest. As a member of the Safety, Energy Transition & Tech Committee, Dame Angela brings invaluable expertise to the Group's development of its safety and sustainability strategy, drawing on her experience from serving on the sustainability committee of two other listed companies.</p>	<p>Current</p> <ul style="list-style-type: none"> – Mondi plc, NED – SSE plc, NED – Rio Tinto innovation advisory committee <p>Past</p> <ul style="list-style-type: none"> – Severn Trent plc, NED – BP p.l.c., various executive roles

Compliance with the Code

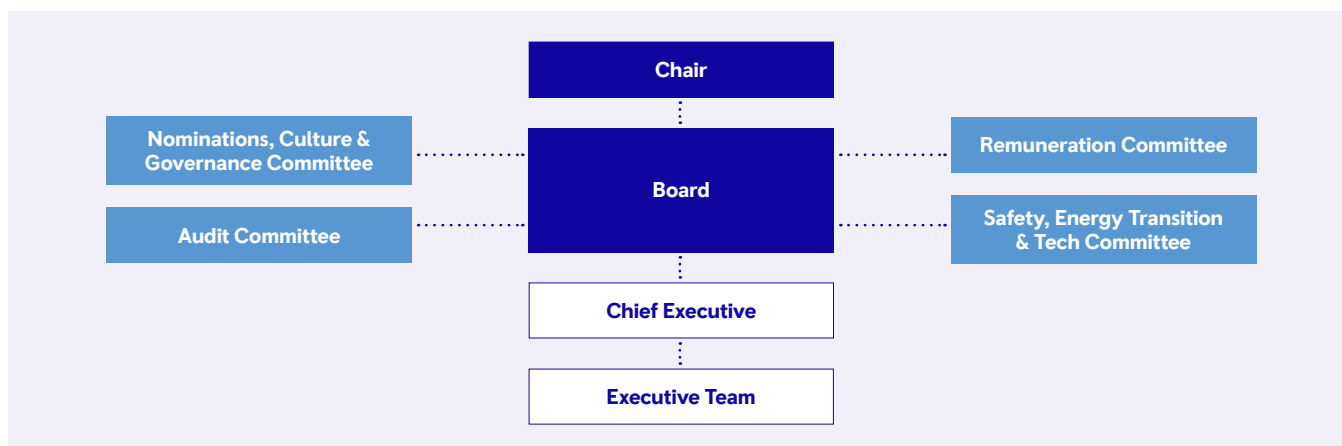
COMPLIANCE WITH THE 2018 UK CORPORATE GOVERNANCE CODE

The Company is subject to the principles and provisions of the 2018 UK Corporate Governance Code (the Code), a copy of which is available at www.frc.org.uk. For the year ended 31 December 2024, the Board considers that it has applied the principles and complied in full with the provisions of the Code.

During 2024, we carried out a review of the 2024 UK Corporate Governance Code (the 2024 Code) ahead of our reporting for the year ended 31 December 2025.

Board leadership and company purpose	<ul style="list-style-type: none"> Our Governance Report provides examples of our leadership and our Strategic Report sets out how we have engaged with our key stakeholders Throughout the year, the Board has provided oversight of the ongoing Group-wide transformation programme which included the launch of the new purpose and behaviours for the Group 	 See page 64 Stakeholder engagement  See page 10 Our purpose
Division of responsibilities	<ul style="list-style-type: none"> We clearly define the roles of the Chair and the Chief Executive and fully support the separation of the two roles The Board believes it operates effectively with the appropriate balance of independent Non-Executive Directors and Executive Directors The Board regularly considers the time commitments of our Non-Executive Directors Prior Board approval is required for any Director's external appointments to ensure there is no conflict or compromise on their time The quality of information and resources available to the Board has enabled us to operate effectively and efficiently throughout the year 	 See page 68 Board of Directors  See page 80 Nominations, Culture & Governance Committee report
Composition, succession and evaluation	<ul style="list-style-type: none"> Our Board comprises a combination of broad skills, experience and knowledge We have a clear process when considering appointments to the Board and maintain effective succession planning For 2024, we carried out an internal evaluation of the Board and its Committees, supported by Independent Audit Ltd. The methodology and outcomes can be found on page 77 	 See page 68 Board of Directors  See page 73 Board composition
Audit, risk and internal control	<ul style="list-style-type: none"> We recognise the importance and benefits of ensuring the internal audit function and the external auditors remain independent The Board presents a fair, balanced and understandable assessment of the Group's position and its prospects Our risk and control environment is reviewed by the Audit Committee. The Board considered both emerging and principal risks during the year The Audit Committee also considers the information & data principal risk, including cyber risk 	 See page 82 Audit Committee report
Remuneration	<ul style="list-style-type: none"> The Remuneration Committee, comprising only Non-Executive Directors, is responsible for developing the policy and determining executive and senior management remuneration No Director is involved in deciding their own remuneration outcome The Remuneration Committee engaged with investors on the remuneration policy which was approved by shareholders at the 2024 AGM In 2024, the Remuneration Committee carried out a review of performance of WTW as the independent adviser to the Committee An updated remuneration policy is being proposed to shareholders for approval at the 2025 AGM. We are not proposing any material changes to the current policy but are seeking shareholder support for two minor amendments following the publication of the updated Investment Association principles of remuneration. Further detail on these amendments can be found in the Remuneration report on page 86 	 See page 86 Remuneration Committee report

Corporate governance



THE ROLE OF THE BOARD

The Board is ultimately responsible to shareholders for the direction, management, performance and long-term sustainable success of the Group. It sets the Group's strategy and objectives and oversees and monitors internal controls, risk management, principal risks, governance and viability of the Group. In doing so, the Directors comply with their duties under s172 of the Companies Act 2006.

The Board has established certain principal committees to assist it in fulfilling its oversight responsibilities, providing dedicated focus on particular areas (see page 72). The chair of each committee reports to the Board on the Committee's activities after each meeting.

In addition to the Board's principal committees, it has established a sub-committee of Directors who each hold an appropriate level of UK national security clearance for the purpose of receiving and considering, on behalf of the Board, any UK classified information relating to the Group's programmes and activities.

Bev Goulet, a US national and independent Non-Executive Director, also sits on the board of Rolls-Royce North America Holdings, Inc. to create a link between the Board and the Group's North American governance structure.

Roles and responsibilities

The roles of the Chair and Chief Executive are clearly defined and the Board supports the separation of the two roles. The Chair is responsible for the leadership and effectiveness of the Board. The Chief Executive is responsible for the running of the Group's business and leads the Executive Team which comes together to review, agree and communicate issues and actions of Group-wide significance.

Non-Executive Directors support the Chair and provide objective and constructive challenge to management. The Senior Independent Director (SID) provides a sounding board for the Chair and serves as an intermediary for the Chief Executive, other Directors and shareholders when required.

The Chief Governance Officer ensures that appropriate and timely information is provided to the Board and its committees and is responsible for advising and supporting the Chair and the Board on all governance matters. All Directors have access to the Chief Governance Officer and may take independent professional advice at the Group's expense in conducting their duties.

Directors' independence

We continue to monitor and note potential conflicts of interest that each Director may have and recommend to the Board whether these should be authorised and if any conditions should be attached to such authorisations. The Directors are regularly reminded of their continuing obligations in relation to conflicts and are required to review and confirm their external interests at least annually. This helps us to consider whether each of them continues to be independent.

Following due consideration, the Board determined that all Non-Executive Directors continued to be independent in both character and judgement. Furthermore, it was determined that the Chair was independent on her appointment.

Key matters reserved for the Board

- The Group's long-term objectives, strategy and risk appetite
- The Group's organisation and capability
- Stakeholder engagement
- Overall corporate governance arrangements, including Board and Committee composition, committee terms of reference, Directors' independence and conflicts of interest
- Internal controls, governance and risk management frameworks
- Changes to the corporate or capital structure of the Company
- Annual Report and financial and regulatory announcements
- Significant changes in accounting policies or practices
- Annual plan and financial expenditure and commitments above levels set by the Board
- Overview of the speak up programme and cases reported through the speak up line



See page 78 for information about the Executive Team

THE ROLE OF EACH COMMITTEE

Nominations, Culture & Governance

Lead the process for appointments to the Rolls-Royce Board; ensure plans are in place for orderly succession to Board and senior executive positions

Oversee the development of a diverse pipeline for succession

Ensure the composition of the Board is appropriate and relevant so that the Board is in the best position to oversee operational performance and drive the Group's strategy

Assess and monitor culture to ensure alignment with the Group's policies, practices and behaviours

Oversee the Group's global diversity and inclusion strategy and its implementation

Keep the Board's corporate governance arrangements under review. Ensure these are consistent with best corporate governance standards

Principal risks: compliance; talent & capability

See page 80 for the Nominations, Culture & Governance Committee report

Remuneration

Determine a policy for executive director remuneration capable of attracting and retaining individuals necessary for business success

Set remuneration for the Chair of the Board, Executive Directors and senior executives

Determine the design, conditions and coverage of incentives for senior executives and approve total and individual payments under the plans

Determine targets for any performance-related pay plans and the issue and terms of all-employee share plans

Oversee any major changes in remuneration

Review workforce remuneration and related policy and the alignment of incentives and rewards with culture, taking these into account when setting the policy for executive director remuneration

See page 86 for the Remuneration Committee report

Audit

Assist the Board in monitoring the integrity of the Company's financial statements and any formal announcements relating to financial performance

Oversight of climate change reporting

Review the internal financial controls and the risk management and internal control systems and review any concerns of financial fraud

Recommend to the Board the financial reporting, focusing on accounting policies, judgements and estimates; disclosures; compliance with regulations; and that the Annual Report is fair, balanced and understandable

Monitor and review the effectiveness of the internal audit function and oversee the Company's relations with the external auditor and approve their terms of engagement and fees

Principal risks: compliance, business interruption; energy transition; information & data including cyber; market & financial shock

See page 82 for the Audit Committee report

Safety, Energy Transition & Tech

Provide oversight in respect of:

- people safety (occupational health and safety, process safety, maintenance of facilities, asset integrity and personnel security)
- product safety
- environment and energy transition, including progress and delivery against agreed metrics, targets and objectives

Monitor the operation of the Group's product safety governance frameworks, scrutinising the development and implementation of changes in process and practice

Review, challenge and support the Group's energy transition strategy, track progress and review the environmental impacts of products and operations. Provide oversight and assurance of the Group's scientific and technological strategy, processes and investments

Principal risks: safety; energy transition; technology; information & data including cyber

See page 111 for the Safety, Energy Transition & Tech Committee report

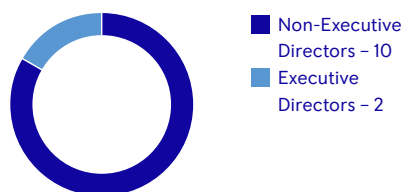
Committee membership

	Nominations, Culture & Governance	Audit	Remuneration	Safety, Energy Transition & Tech
Dame Anita Frew				
Birgit Behrendt				
Stuart Bradie				
Paulo Cesar Silva				
George Culmer				
Lord Jitesh Gadhia				
Beverly Goulet				
Nick Luff				
Wendy Mars				
Dame Angela Strank				
Female representation	50%	25%	50%	60%

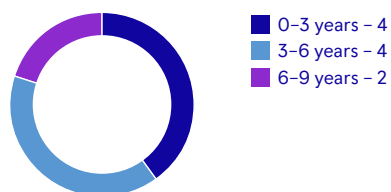
■ Chair of the Committee ■ Member of the Committee □ Not a member of the Committee

COMPOSITION OF THE BOARD AT 27 FEBRUARY 2025

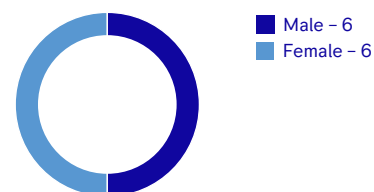
Balance of the Board



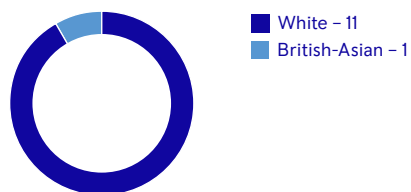
Non-Executive Directors' tenure



Board members by gender



Board members by ethnicity

Board members by nationality¹

¹ According to the Company's Articles, at least 50% of our Directors must be British citizens

Non-Executive Directors' skills and experience at 27 February 2025

Non-Executive Director	Business experience												Global experience		
	People and product safety	Cyber & digital	Climate change & sustainability	Engineering, science & technology	Company leadership	Finance	Audit & risk management	Remuneration	Transformation	Legal & regulation	Sector specific	Geopolitics	Europe	Americas	Asia & Middle East
Dame Anita Frew															
Birgit Behrendt															
Stuart Bradie															
Paulo Cesar Silva															
George Culmer															
Lord Jitesh Gadhia															
Beverly Goulet															
Nick Luff															
Wendy Mars															
Dame Angela Strank															

Board and Committee attendance in 2024

	Board	Nominations, Culture & Governance	Audit	Remuneration	Safety, Energy Transition & Tech
	8 meetings	4 meetings	7 meetings	4 meetings	3 meetings
Dame Anita Frew	8/8	4/4	–	–	–
Tufan Erginbilgic	8/8	–	–	–	–
Helen McCabe	8/8	–	–	–	–
Birgit Behrendt	7/8	4/4	–	–	3/3
Stuart Bradie	8/8	4/4	–	–	3/3
Paulo Cesar Silva	8/8	4/4	–	–	3/3
George Culmer	8/8	4/4	7/7	4/4	–
Lord Jitesh Gadhia	8/8	4/4	7/7	4/4	–
Beverly Goulet	8/8	4/4	7/7	4/4	–
Nick Luff	8/8	4/4	7/7	–	–
Wendy Mars ¹	8/8	4/4	–	2/2	3/3
Dame Angela Strank	8/8	4/4	–	–	3/3

¹ Joined the Remuneration Committee in May 2024

The table above sets out the Directors' attendance at Board and Committee meetings throughout 2024.

Board members' attendance was once again high in 2024. However, Directors are sometimes unable to participate in certain Board and Committee meetings. In September, Birgit Behrendt was not able to attend the Board meeting due to prior business commitments. In this situation, the Directors provide feedback on the matters under consideration to the Chair of the Board and the Committee chair, where relevant.

Most scheduled meetings end with a private discussion of the Non-Executive Directors led by the Chair of the Board or Committee, without the Executive Directors or members of the Executive Team or management present.

In support of the Board and committees' work, where there is a requirement for greater, in-depth discussion, we hold deep dives into specific areas of focus outside the meeting schedule. In 2024, the Safety, Energy Transition & Tech Committee held two deep dives relating to our SMR and UltraFan technologies. All members of the Board are invited to join these sessions.

Where legislation and regulation has changed that impacts the directors' duties, we provide in-depth training as part of our Nominations, Culture & Governance Committee's programme. In December, our General Counsel provided an overview of the Economic Crime (Transparency and Enforcement) Act and the failure to prevent fraud offences.

Site visits

To further support the work of the Board and its committees, we arrange site visits to different areas of the business throughout the year so that Board members are able to gain a deeper understanding of how the different divisions operate and meet individuals from those divisions. During such site visits, the Board aims to meet our people and key personnel within the divisions, receive tours of facilities and attend meetings which focus on specific areas of interest for each of the businesses.

- In May, following the 2024 AGM, we held a Meet the Board event where Board members engaged with many of our apprentices at the Learning and Development Centre in Derby, UK. The afternoon consisted of breakout sessions where Board members could talk about their experiences and career progression, while the apprentices were given the opportunity to ask the Board members questions on a variety of topics (see page 64 for more information)
- In June, the Safety, Energy Transition & Tech Committee visited the Power Systems division in Friedrichshafen, Germany. The visit focused on people and product safety on the first day and energy transition and technology on the second day. Both days allowed scheduled time for the Committee members to tour the site and meet with our people.
- In September, the Board visited the Defence division in the US. Board meetings took place throughout the week and Board members met with employees during a Meet the Board event at our facilities in Indianapolis, US. Various site tours were held. In addition, the Board engaged in a geopolitical roundtable with external advisers.
- In November, the Chair, SID and other members of the Board visited Raynesway, UK, to learn more about our submarines business.

BOARD FOCUS THROUGHOUT 2024

IN-YEAR PRIORITIES

Transformation

Following the launch of a multi-year transformation programme in 2023, progress during 2024 was reviewed regularly by the Board. The success of the transformation programme and progress of the strategic initiatives is evident in the Group's financial performance.

The new organisational design, aligned to the transformation programme, was implemented on 1 June 2024. The Board continued to track progress against delivery of the target of £200m of annualised savings by the end of 2025. The focus now is on how we operate, to enable a simpler, more efficient and effective organisation. Achieving our vision is underpinned by our purpose and behaviours transformation workstream, reviewed by the Nominations, Culture & Governance Committee in May and launched in September.

 See page 10 for Our purpose



Strategy

The Board continued to track progress against the four strategic pillars: portfolio choices and partnerships; strategic initiatives; efficiency and simplification; and lower carbon and digitally enabled businesses.


 See page 11 for our Strategy



FINANCIAL

Group budget and five-year plan


The Chief Financial Officer presents a financial performance update at every Board meeting. At the December meeting, the Board considered the five-year plan and 2025 budget.

 See page 19 for the Financial review



Viability statement

The Board agreed the viability statement period to be reported in the Annual Report. The Audit Committee assessed the Group's viability, with scenarios created based on the principal risks and modelled by the divisions as part of the five-year forecasts.

 See page 61 for the Viability statement



Reports and regulatory reporting

On the recommendation of the Audit Committee, the Board approved the 2023 full-year results announcement, 2023 Annual Report and Accounts, 2024 half-year results announcement and the trading updates issued during the year.



RISK MANAGEMENT

Review of effectiveness of risk management and internal controls

The Audit Committee and Board assessed the effectiveness of the risk management and internal controls framework in place across the Group. The Board confirms that, where weaknesses in the Group's internal control environment were identified, plans for remediation were implemented and aligned to an appropriate timeframe.

 See page 52 for Principal risks and page 82 for our Audit Committee report



Safety risk

In June, members of the Safety, Energy Transition & Tech (SETT) Committee visited our Power Systems division in Friedrichshafen, Germany, for two safety-focused visits. As part of the visit, safety in relation to our people and products was considered.

At each SETT meeting, safety is reviewed and at every Board meeting our Chief Executive reports on the safety agenda.

 See page 52 for Principal risks



Key stakeholders



BOARD FOCUS THROUGHOUT 2024 CONTINUED

RISK MANAGEMENT CONTINUED

Principal risk review

To discharge their responsibilities under the 2018 Code, throughout the year the Board and its Committees considered the principal risks as part of its review of the risk management framework and the Board also discussed emerging risks. The Audit Committee reported to the Board that a robust assessment of the principal risks had been undertaken.


 See page 52 for Principal risks



SUSTAINABILITY AND ENVIRONMENTAL

TCFD and climate change

The Audit Committee and SETT Committee both considered our sustainability reporting, including the TCFD recommendations and the Scope 3 emissions calculations. During the year, the Audit Committee also reviewed the controls in relation to the data to gain greater oversight of the metrics used in relation to Scope 3 emissions.

 See page 32 for Sustainability



Sustainability strategy

The SETT Committee considered the Group's sustainability strategy including updates of the activities of the Executive-level energy transition & technology committee. The Board approved the refreshed sustainability strategy in July.

 See page 32 for Sustainability



CULTURE

People and culture


The Nominations, Culture & Governance (NCG) Committee received an update from the Chief People Officer on people and culture, including progress against our People strategy. In July, the Committee carried out a review of the succession plan for the Executive Team and the Group's approach to developing successors. A focus was put on both internal succession and external market mapping for key positions.

 See page 46 for People and culture



Talent & capability

The NCG Committee reviewed the principal risk, talent and capability, and any impact of the new organisational design. Recognising the importance to future-proof the skills and capabilities of the Group to enable the success of the strategic plan, the NCG Committee reviewed the organisational capability and discussed the initiatives that had been identified to drive continuous capability improvement. The NCG Committee continued to review progress against the strategic pillars of our inclusion strategy. Performance against the 2025 diversity targets continued to be kept under review (see page 50).

 See page 46 for People and culture


 See page 52 for Principal risks



GOVERNANCE, LEGAL AND REGULATORY

Board effectiveness review

An internal review of the effectiveness of the Board and its Committees was supported by Independent Audit Ltd. In addition, the Chair met with each of the Non-Executive Directors separately to discuss their individual performance and give feedback on the Board and Committee evaluation.

 See page 77 for our Board effectiveness review



Legal and regulatory update

The Board regularly receives a legal and regulatory update from the General Counsel. In December, the Board received training in relation to the recent Economic Crime (Transparency and Enforcement) Act.



Key stakeholders



BOARD EFFECTIVENESS

Review of the Board and Committees

Having undertaken an externally facilitated board effectiveness review in 2023, this year we carried out an internal review of our Board's effectiveness, supported by Independent Audit Ltd. We took a questionnaire-based approach and focused on Board composition and dynamics; the Board's role; and the Board at work. Independent Audit Ltd has not provided any other service to the Company during the year and have agreed this disclosure.

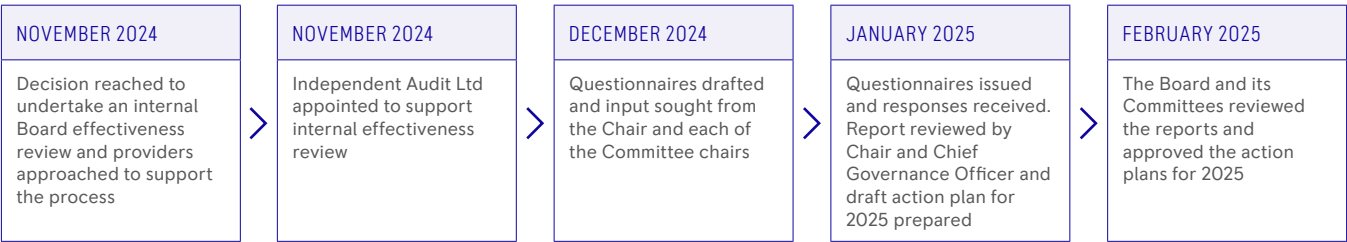
The review took the form of an online questionnaire and the scope was agreed with the Chair and Chief Governance Officer in advance. Independent Audit Ltd provided an anonymised report and the Chair and Chief Governance Officer, in discussion with the Board, have agreed an action plan for 2025. Each Committee chair considers feedback for the Committees for which they are responsible.

In addition to this review, during a private meeting of the Non-Executive Directors, the Senior Independent Director led a review of the Chair's performance without the Chair present. The Nominations, Culture & Governance Committee has an item at the end of each agenda without any management present and, during these sessions, they discuss the performance of the Chief Executive throughout the year. The Chair also conducted the Chief Executive's annual performance review having sought feedback on his performance from the Board. These meetings concluded that both the Chair and the Chief Executive were effective and feedback was shared with each of them. In addition, the Chair met with each of the Non-Executive Directors separately to discuss their individual performance and gather feedback on the Board and Committee evaluation.

AREAS OF FOCUS

2024 FOCUS	PROGRESS IN 2024	FOCUS IN 2025
Board structure, composition and dynamics Review Board inductions and ongoing training	The Nominations, Culture & Governance Committee appointed Wendy Mars as a member of the Remuneration Committee with effect from 24 May. Wendy was appointed to ensure a link between remuneration and non-financial key performance indicators. Following her appointment, Wendy received an induction from the reward team	To consider succession planning for the Non-Executive Directors who are due to retire in the near term and consider longer-term succession planning for the Executive Team
The Board's role Continued focus on strategic progress, ambitions and options Oversight of the continuing transformation particularly around culture, people and succession Focus on risk management as the Group continues to change and respond to the external environment	At each meeting, the Board considers the progress of the strategy programme outlined in the Capital Markets Day in 2023 and in May and December, reviewed progress on the strategic initiatives Purpose and culture was one of the transformation workstreams. The proposed new purpose, culture and behaviours was presented to the Nominations, Governance & Culture Committee in May and launched globally in September The Board focused on principal risks such as compliance including anti-bribery and corruption and received regular updates from the chairs of the committees regarding the principal risks discussed during their meetings	Continued focus on strategic focus, ambitions and future growth opportunities Focus on emerging technologies including digital and AI and their associated risks and opportunities Continue to focus on areas of risk and challenge to the business, for example, supply chain and cyber security
The Board at work Board site visits and deep dives to continue to build on Directors' induction, training and development	The Board continued to build on Directors' induction, training and development throughout the year through site visits and Meet the Board events at different Rolls-Royce locations globally. In Derby, UK in May, a Meet the Board event took place after the AGM. In June, members of the Safety, Energy Transition & Tech Committee visited Power Systems in Friedrichshafen, Germany and, in September, the Board visited our facilities in Washington and Indianapolis, US. Individual directors have continued to visit various sites, including Raynesway, UK	Board site visits and deep dives for opportunities to meet with our people and observe how our new purpose and behaviours are being received in the business

STAGES OF THE BOARD EFFECTIVENESS REVIEW



Executive Team



1. DR JÖRG STRATMANN
CEO – Rolls-Royce Power Systems AG

2. NICOLA GRADY-SMITH
Chief Transformation Officer

3. DR ROB WATSON
President – Civil Aerospace

4. HELEN MCCABE
Chief Financial Officer

5. CHRIS CHOLERTON
Group President

6. TUFAN ERGINBILGIC
Chief Executive

7. SARAH ARMSTRONG
Chief People Officer

8. MARK GREGORY
General Counsel

9. ADAM RIDDLE
President – Defence
Chairman & CEO – Rolls-Royce North America

10. SIMON BURR MBE
Group Director of Engineering, Technology
& Safety



Appointment details and career highlights of the members of the Executive Team are available at www.rolls-royce.com



Executive audit committee

- to consider principal risks
- to review delivery of the in-year internal audit plan and to finalise the internal audit plan for the forthcoming year ahead of Group Audit Committee approval

People committee

- to ensure that Rolls-Royce has a winning team to deliver our strategic priorities
- to keep under review talent and succession, performance and leadership, reward, purpose and experience

Energy transition & technology committee

- to ensure the Group is playing a winning role in energy transition and future technologies
- to consider the rationale for and progress of investments in energy transition
- make capital allocation decisions on technologies that support energy transition
- to assess strategic opportunities for future technology investments

Commercial committee

- to develop Group-wide pricing strategy and commercial capability
- to identify and deliver pricing actions and capability improvements to enable a step change in performance

Operating committee

- to improve Group-wide operational performance
- to review supply chain performance
- to oversee critical enablers of operational performance

Investment committee

- to make capital allocation decisions for all investments, acquisitions and divestments in line with our strategy
- to review performance of in-flight investments

Financial and operating drivers review

- to review in-year financial performance and operational drivers against plan
- to agree interventions where required

Business review

- to review performance by division, focusing on in-year and five-year horizons
- includes financial and operational performance, people and talent, strategic initiatives, principal risks and engagement with our people

Nominations, Culture & Governance Committee report

KEY AREAS OF FOCUS IN 2024

Launch of our new purpose and behaviours

Update to Our Code and Group policies

Executive Team and key role succession planning

I am pleased to present the 2024 report of the Nominations, Culture & Governance Committee which provides an overview of our key areas of focus during 2024.

Composition of the Board and its committees

The Committee is responsible for keeping the structure, size and composition of the Board and its committees under review. In 2024, there were no changes to the composition of the Board. During the year, the Committee considered my re-appointment and that of Wendy Mars, each for a three-year term. As all Non-Executive Directors are appointed annually once they have served six years on the Board, Nick Luff and Bev Goulet were reappointed for a further one-year term.

During May, Wendy Mars was appointed to the Remuneration Committee to ensure a link between remuneration and the topics that underpin the non-financial key performance indicators which are considered by the Safety, Energy Transition & Tech Committee.

The role of each committee is set out on page 72. The full terms of reference and terms of reference applicable to all Committees can be found at www.rolls-royce.com. See page 72 for our current Board committee membership.

Summary biographies for the Directors can be found on pages 68 to 69. Full biographies can be found at www.rolls-royce.com

Board appointment, induction and development

Prior to making any new appointments to the Board, the Committee considers the skills and attributes required and agrees a profile. The Committee also provides input into a shortlist of candidates and is involved in the interview process for all appointments. The Committee recommends the appointments to the Board for approval. All Non-Executive Directors are appointed to the Nominations, Culture & Governance Committee and to other Board committees, depending on the skills they bring.

The Chief Governance Officer arranges a comprehensive, tailored induction programme for newly-appointed Non-Executive Directors, which includes dedicated time with the Executive Team and senior management and scheduled trips to business operations. The programme is tailored based on the experience and background of the individual and the requirements of the role including the role they will be taking up or the Board Committees they will join. All Directors visit the Group's main operating sites as part of their induction and are encouraged to make at least one visit to other sites every year. Site visits are an important part of the induction process, as well as for continuing education. They help Directors understand the Group's activities through the direct experience of seeing our facilities and operations and by having discussions with a diverse group of our people. Information on our site visits during the year can be found on page 74.

It is important that the Directors continue to develop and refresh their understanding of the Group's activities and, where necessary, they will deep dive into specific areas (see page 74). In addition to understanding the Group, it is equally important that Directors continue to update their skills and knowledge and receive relevant training where necessary as well as ensuring there is an appropriate focus on the Group's different stakeholders. The Board's engagement with its stakeholders is set out on pages 64 to 65.

My fellow Directors and I also attend relevant external seminars, conferences and training events to keep up-to-date on developments in key areas. In December, we received training in relation to the recent Economic Crime (Transparency and Enforcement) Act.

People and culture

During 2024, the Committee received reports from the speak up line and updates from our Employee Champions. We reviewed key trends in the 2024 speak up report. Information on the speak up line can be found on page 51.

"The development of our leaders is critical to ensuring the right culture and behaviours are embedded Group-wide and to ensure we maintain the right skills and capabilities to meet our strategic plan."

The Committee discussed human rights related issues across the Group and received regular updates on the purpose and culture transformation workstream, which included the new purpose statement and behaviours. In addition, during 2024 Our Code and Group policies were refreshed to ensure alignment with the purpose and culture transformation workstream outputs.

The Board diversity policy aims to maintain gender parity. As there were no changes to the Board during 2024, we continued to meet the Board's ambition in this regard. With my position as Chair of the Board and with Helen McCabe as our Chief Financial Officer, we continue to exceed the Board's intention that at least one senior Board member will be a woman. In addition, one of our Board members, Lord Jitesh Gadhia, is from a non-white ethnic minority background. The Board diversity policy is available at www.rolls-royce.com

The Committee continued to receive regular updates on progress with our diversity, inclusion and belonging strategy across the Group and received updates on progress against key metrics and targets during 2024.

During 2024, the Committee noted that significant progress had been made in fostering inclusion and belonging, demonstrated by increased engagement and participation across various initiatives in the Group (see the People and culture section on page 46).

Diversity in our Executive Team continues to stand at 30%. The Committee supports and monitors Group activities to ensure that women and other under-represented groups have equal opportunities to progress to the senior management population (see page 50). We recognise that there is still more to do. Improvements in ethnicity balance are beginning to be seen in the wider Group across the graduate and high potential populations.

Creating a high-performing merit-based organisation, where everyone, regardless of their identity feels able to thrive and belong remains a priority and we continue to track progress against our 2025 targets (for more information see page 50). The Board recognises that this is an area subject to changing laws and regulations and that the policies and processes within Rolls-Royce must also evolve and adapt. Disclosures under UK Listing Rule 6.6.6 can be found on page 222.

Succession planning

The Committee considers the current skills, experience and tenure of the Directors and assesses future needs against the longer-term strategy of the Group. The skills and experience criteria for incoming directors is discussed and agreed before the recruitment process is commenced.

The Committee plays a vital role in promoting effective Board and leadership succession, making sure it is fully aligned to the Group's strategy. In July, the Committee discussed Executive Team succession, which included a review of our succession pool.

Principal risk review

The Committee considers the principal risk of talent and capability as part of the regular discussion on succession planning and, in 2024, the discussions related to the transformation and the new organisational design for the Group. The development of our leaders is critical to ensuring the right culture and behaviours are embedded Group-wide and to ensure we maintain the right skills and capabilities to meet our strategic plan.

Directors' conflicts of interest

As required under the Code, any additional external appointments taken up by Directors during the year are considered by the Committee and approved by the Board prior to the Directors accepting such appointments. The Committee considers any conflicts that may arise as a result of any external appointments taken up by the Directors and the Board monitors the extent of those interests and the time commitment required to fulfil them to ensure that effectiveness is not compromised. As part of the Committee's discussions, external appointments are considered against the parameters set by ISS. The Committee has found this to be a useful gauge when discussing whether there is potentially any impact on Directors' time commitments when taking on additional external appointments.

Members	All Non-Executive Directors
	Biographies are on pages 68 and 69
Remit	See page 72

In 2024, the Directors demonstrated a strong commitment to the Company, as shown by their high levels of attendance at all our meetings (see page 74). During the year, the Board considered an external appointment for Paulo Cesar Silva as an adviser to Electra.Aero. The Committee noted that although the appointment may represent a potential conflict of interest, the Committee agreed appropriate mechanisms to manage the potential conflict and concluded that the external appointment was not considered time restrictive. In addition, the appointment of Lord Jitesh Gadhia as senior independent director at Taylor Wimpey, where Jitesh has been a non-executive director, was considered and approved, recognising that the time commitment of a senior independent director can be greater than that of a non-executive director. In December, the Committee considered and approved my appointment to the Industrial Advisory Council established by the UK Government.

Engagement with shareholders

For information on how the Board has engaged with stakeholders during the year, see pages 64 to 65.

Corporate governance

Throughout 2024, we have continued to watch the evolving agenda in the UK on audit and corporate governance reform. We will continue to keep good governance at the core of all we do and are pleased to report another full year of compliance with the 2018 Code, as reported on page 70. During 2025, we will continue to work on our internal governance arrangements to ensure they are aligned with our organisational design, in addition to ensuring compliance with the revised 2024 Code.

Extracts from the Group's governance framework, which is also applied to our subsidiary companies and is our response to the Wates principles, are available at www.rolls-royce.com

Summary

The work of the Committee in 2024 was rated highly in our Committee evaluation report and I would like to thank my Board colleagues for their support and counsel during 2024. The evaluation clearly identified those areas for focus in 2025. In particular, we will focus on succession planning for those Non-Executive Directors who will retire in the near-term, namely Bev Goulet and Nick Luff. We will also consider longer-term succession planning for members of the Executive Team. I look forward to working with my fellow Directors in 2025 on these and other important topics within the remit of the Committee.

Dame Anita Frew

Chair of the Nominations, Culture & Governance Committee

Audit Committee report

KEY AREAS OF FOCUS IN 2024

Ensured our business performance is fairly presented with equal prominence of statutory and alternative performance measures

Reporting of climate change and environmental data and the interaction with accounting assumptions and financial reporting

Continued oversight of internal controls improvement programmes and of effectiveness of risk management with a focus on cyber security and business continuity

I am pleased to present the 2024 report of the Audit Committee, which provides an overview of the areas of focus for the Committee during the year, as well as its key activities and the framework within which it operates.

The composition of the Committee has not changed during 2024 and the membership is set out on page 72. George Culmer, Bev Goulet and I have recent and relevant financial experience. The Board remains confident that the Committee members have the appropriate knowledge, skills and experience to fulfil the duties delegated to the Committee and that the Committee as a whole has the competence relevant to the sectors in which the Group operates.

At the 2024 AGM, we were pleased to have the opportunity to meet with several shareholders in person as well as to hear from shareholders virtually. We were able to answer questions both in person and via the live stream of the meeting.

This report sets out the work of the Committee in 2024 with a focus on the issues relevant to the Group's financial reporting, considering how business performance is reflected in financial reporting, assessing key accounting judgements and ensuring ongoing quality of the related disclosures. In our meetings, we have robust conversations to ensure management are challenged, to satisfy ourselves that the judgements taken and the disclosures made are appropriate for the Group.

We have continued to support the Board in its considerations of climate change risks and opportunities. The Committee has reviewed and approved the TCFD recommendations (see page 36) and noted the progress during the year as the disclosures were being prepared for the 2024 Annual Report. We have continued to ensure that the impact of climate change, where material, is reflected in the financial statements and disclosed accordingly, including the assumptions used in the forecasts for the assessment of going concern and viability, long-term contract accounting, impairment testing and deferred tax asset recognition.

The Committee undertook deep dives of the principal risks we oversee, including on business interruption and on cyber security.

We also meet regularly with the head of tax to review the management of tax and customs risks. The Committee approves annually our tax policy to ensure it remains appropriate for the Group and we receive updates on its application as well as changes to relevant laws and regulations. We are cognisant of the changing external reporting requirements and discussed the Group's approach.

The Committee continues to oversee the assurance activity conducted by internal audit. The Committee monitored delivery of their 2024 internal audit plan, considered the findings from internal audit reports and reviewed the implementation of identified actions. We also approved the 2025 internal audit plan, confirming the focus on key risks and adequate cover of all material operations and appropriate geographical coverage. We undertook an external, independent assessment of internal audit, noting the positive assessment and agreeing the actions recommended for further improvement.

Financial reporting

The Group has complex long-term contract accounting and every year the Committee spends much of its time reviewing the accounting policies and judgements implicit in the Group's financial results. In 2024, we considered the implications of our assumptions and key accounting judgements on the improved financial performance of the Group and the Group-wide transformation programme, as well as changes in the global macro-economic and political environment. We have ensured that the disclosures in respect of all key areas of judgement are appropriate and balanced. We assess and consider the sensitivity of the estimates to changes in key assumptions which are summarised in note 1 of the Consolidated Financial Statements on page 122.

Fair, balanced and understandable

As part of its review of the 2024 Annual Report, the Committee considered whether the report, taken as a whole, is fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy. In so doing, the Committee considered the financial reporting procedures and internal controls in place in preparing the report. There is a robust governance framework with well documented planning and procedures for the preparation of the report and a collaborative approach across all those who contribute to the report. The Committee concluded that the basis of preparation was consistent with financial reporting throughout the year and that all significant issues had been considered. The Committee was satisfied that the process was effective and that the messaging was consistent, particularly the narrative reflecting the financials. It was confirmed to the Board that, when taken as a whole, the Annual Report is fair, balanced and understandable.

Significant issues relating to the 2024 financial statements:

A summary of the principal matters we considered in respect of the 2024 Consolidated Financial Statements is set out below.

AREA OF FOCUS	CONSIDERATIONS
Long-term contract accounting	The Committee considered the assessment of estimates of future revenue and costs on the Group's long-term contractual arrangements. This has continued to be a particular focus for the Committee due to the complex nature of long-term contract accounting, the changing macro-economic conditions with supply chain challenges leading to some disruption in respect of parts availability and the implications of this on forecasting future costs and capacity output. As part of our considerations, we reviewed onerous contracts given their sensitivity to changes in revenue and cost assumptions. We also reviewed catch-ups to understand the changes to revenue and cost assumptions driving them. We reviewed the disclosures and concluded these, together with the assessments, were appropriate. See note 1 in the Consolidated Financial Statements.
Tax accounting	The Committee discussed the recoverability of deferred tax assets and the forecasts, assumptions and sensitivities applied in order to ascertain the recognition and recoverability of the deferred tax assets. The Committee discussed the basis for the recognition of the UK deferred tax assets and considered the judgements and estimates necessary to assess the recoverability of those deferred tax assets. This was particularly important during 2024 due to the improving financial performance and the delivery against our mid-term targets. We considered the recognition of the UK deferred tax assets in light of the requirements set out in IAS 12 <i>Income Taxes</i> to assess probable profits. We considered the recoverability of advance corporation tax in light of the Group's plans for shareholder distributions. We confirmed the approach, which remained consistent with that taken in 2023, together with the disclosures set out in notes 1 and 5 to the Consolidated Financial Statements.
Transformation programme	The Committee considered the impact of the transformation programme, including the organisational design, on the assumptions and accounting judgements and monitored whether the criteria required for a restructuring and transformation provision had been met. The Committee also considered whether excluding these costs from the underlying results was appropriate in light of the Group's definition of underlying results. The Committee concluded that the treatment of these costs as non-underlying was appropriate.
Going concern and viability	As in previous years, the Committee reviewed the information, underlying assumptions and downside risks modelled and presented in support of the going concern and viability assessment. The Committee concluded that the Group has a strong liquidity position over the going concern period and that there is a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the next five years.
Non-financial reporting and assurance requirements, including sustainability	<p>The Committee has received updates on the development of non-financial reporting and assurance requirements in respect of sustainability. This has included updates on climate disclosures under the existing TCFD recommendations and disclosures, our preparedness for new EU reporting requirements set out in the Corporate Sustainability Reporting Directive (CSRD), EU Taxonomy, Corporate Sustainability Due Diligence Directive (CSDDD) and new UK reporting requirements in the International Sustainability Standards Board (ISSB).</p> <p>The Committee also received updates on the improving internal controls in relation to process and data and considered progress made with the Group's reporting. The Committee has ensured it understands and has continued to challenge the assumptions in the climate scenarios used by management in respect of viability, long-term contract accounting, impairment assessments and deferred tax asset recognition. See note 1 in the Consolidated Financial Statements.</p>
Alternative performance measures (APMs)	As in previous years, the Committee reviewed the clarity of the definitions and the reconciliation of each APM to its statutory equivalent. The Committee concluded that there was no undue prominence of the APMs in the Annual Report. See page 215 for a reconciliation of APMs to their statutory equivalents.

Risk management and the internal control environment

Our risk management and internal control framework is described in the Principal Risks section on page 52. During 2024, the Committee reviewed the effectiveness of risk controls and their assurance, ensuring actions to mitigate where needed and to manage risks in relation to our appetite for taking risk as described on page 52. We will continue to focus on risk mitigation controls and risk appetite in 2025, embedding these more firmly as part of our routine processes and decision making, including in relation to strategic planning.

We also satisfied ourselves that the processes for identifying and managing risks are appropriate and that all principal risks and mitigating actions had been subject, during the year, to a detailed review by the Board or an appropriate Board Committee. Based on this and on our other activities, including consideration of the work of internal and external audit and attendance at the Committee meetings by divisional and functional risk owners, the Board confirmed that a robust assessment of the principal risks and emerging risks facing the

Group had been undertaken. Details of our principal risks are set out on pages 55 to 60. The Board has allocated certain principal risks to the Committee and we considered these in detail throughout the year, as described below.

From our discussions, we are satisfied that the principal risks that we oversee have received appropriate management attention during 2024:

- **Business interruption:** the Committee received updates on the status of the Group's continuity risk management and specifically reviewed internal facilities' resilience.
- **Information and data, including cyber:** the Committee reviewed the cyber security risk, including details of controls and comprehensive mitigation plans, as well as an assessment of risk management effectiveness.

Internal controls over financial reporting

The Committee specifically reviews the Group's internal controls over financial reporting (see page 52). During 2024, we received an update on the risk assessment to identify the controls considered to be material and in-scope from a financial reporting perspective. We monitored progress against the 2024 financial controls programme to strengthen the financial reporting and compliance controls. We confirmed completion of identified key activities. We also considered the external auditor's observations on the financial control environment.

Effectiveness of risk management and internal control systems

The Committee has conducted a review of the effectiveness of the Group's risk management and internal control systems, including those relating to the financial reporting process. We consider that our review of the risk management and internal control systems, in place throughout 2024 and up to the date of this report, satisfies the requirements of the Code, the DTR and the FRC's guidance on risk management. To support this:

- we monitor changes to regulatory requirements with respect to risk management on an ongoing basis;
- we review relevant policies and procedures and update where necessary, in line with regulatory changes and our perspective on effective approaches to risk management;
- our risk management team and relevant assurance functions, such as internal audit, review key business processes, including long-term contract pack reviews and the budgeting process with periodic reforecasting, identifying key risks and opportunities;
- we assess and monitor management responses to key audit findings, including the design of mitigations and developments to existing controls;
- a defined anti-bribery and corruption policy has been implemented; and
- where necessary, we report to the Board and its Committees on key risk and regulatory matters.

During the course of the financial year, any control weaknesses identified through the operation of our risk management and internal control processes were subject to monitoring and resolution in line with our normal business operations. In 2024, no significant weaknesses were identified. To further support the enhancement of the existing internal control environment:

- risk management specialists have been assigned to review and monitor the implementation of actions, to ensure these remain appropriate and aligned to the risks to which they relate;
- policies and procedures are subject to review and are updated to align with changes in the underlying control environment; and
- risk owners are accountable for managing these risks.

In addition, and on an ongoing basis, the Board reviews the effectiveness of the Group's risk management and internal control system and continues to:

- monitor reports from the Executive Team, relating to their assessment of risks and internal control systems;
- monitor assurance received from the Executive Team regarding compliance with relevant policies;
- monitor assurance received on the effectiveness of the Group's internal control environment;
- review reports from this Committee, the Internal Audit function and the external auditor;

- review the Group's response to incidents and threats, including those related to cyber security and safety; and
- review information gathered from the Group's formal whistleblowing process where issues relate to financial misconduct.

Where opportunities for improvement were identified, action plans have been put in place and progress is monitored by the Committee.

Going concern and viability statements

Having regard to the net liability position on the Group's 2024 balance sheet, we paid particular attention to the going concern and viability statement. With consideration to the available information, the Committee confirms it maintains a reasonable expectation that the Group is able to continue to meet its liabilities as these fall due, over the next five years.

We reviewed the processes and assumptions underlying the going concern and viability statements set out on pages 61 and 62, considering in particular:

- the Group's forecast funding position over the next five years;
- the forecasts for material subsidiaries making up this position;
- an analysis of impacts of severe but plausible risk scenarios, ensuring that these included relevant principal risks;
- the impact of multiple risks occurring simultaneously;
- additional mitigating actions that could be taken in extreme circumstances; and
- the current borrowing facilities in place and the availability of future facilities.

As a result, we are satisfied that the going concern and viability statements have been prepared on an appropriate basis.

Internal audit

The head of internal audit regularly attends and reports to the Committee on internal audit matters including:

- identifying key trends and headline findings from internal audit reports issued in the period;
- details of any specific significant findings raised by internal audit that warrant the Committee's attention;
- status of agreed actions arising from internal audit work;
- progress against the current year's internal audit plan and any changes to the plan; and
- the plan of internal audit work for the following year.

I meet the head of internal audit regularly during the year to discuss the nature of internal audit findings in more depth. We continue to focus on the nature of issues raised by internal audit and the timescales to complete the related actions. The future work plan is risk-based, including risks to both short- and longer-term objectives while balancing principal risk areas with business-as-usual transactional activity where controls are understood to be mature and established. Internal audit also considers the activities of our second line assurance functions in their approach.

We undertook an external, independent review of the effectiveness of the Group's internal audit function. This included an assessment of the function's resources, methodologies, plans, performance, reporting and quality assurance. Based on the report received, we are satisfied that the scope, extent and effectiveness of internal audit are appropriate for the Group and that there is a suitable plan in place to sustain this. Specific actions for further improvement were identified, the implementation of which will be monitored during 2025.

External audit

PwC were appointed as the Group’s external auditor for the financial year, commencing on 1 January 2018, following a formal tender process in 2016. As required by audit partner rotation rules, Ian Morrison took over as lead audit partner for the 2023 audit, replacing Ian Chambers who was required to rotate after five years. Other key audit partners are also required to rotate every five years.

The external audit contract will be put out to tender at least every ten years. Any future audit tenders will be carried out in line with the FRC’s practice aid for audit committees. The Committee currently expects to undertake an audit tender during 2026, with a view to a new audit firm, if there is a change from PwC, being appointed as external auditor for the financial year commencing 1 January 2028. We believe that this timing for the audit tender strikes an appropriate balance between continuity for the current audit firm and consideration of alternative firms.

Other than the services detailed below, PwC have no other connection with the Company or its Directors.

During 2024, the Company complied with the relevant provisions of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

2024 audit

PwC presented its audit plan to the Committee, providing its assessment of the key audit risks and the proposed scope of audit work. Reflecting on findings from the half-year review and the developments in the Group, we agreed the approach and scope of work to be undertaken. Key risks and the audit approach to these risks are discussed in the Independent Auditor’s Report (pages 198 to 210), which also highlights the other risks that PwC drew to our attention.

As part of the reporting of the half-year and full-year results, in August 2024 and February 2025 PwC reported to the Committee on its assessment of the Group’s judgements and estimates in respect of these risks and the adequacy of the reporting. Where effective to do so, PwC also reported on its assessment of the Group’s controls.

I meet with the lead partner regularly throughout the year and the whole Committee has a private meeting with PwC at least once a year.

The Committee reviewed the quality of the external audit throughout the year and considered the performance of PwC. To support this, the Committee members and senior finance personnel undertake annually an internal evaluation, focusing on a range of factors we consider relevant to audit quality. The findings from the 2024 audit evaluation and agreed actions were reviewed and approved by the Committee in February 2025. Feedback was also received from the auditors on their performance against their own objectives.

During 2024, the Audit Quality Review Team (AQRT) of the FRC conducted a review of PwC’s audit of the Group’s Financial Statements for the year ended 31 December 2023. In September, the AQRT provided their final report and, as Chair of the Committee, I acknowledged the findings with the FRC and discussed them with the audit partner. The report assessed the audit as good, the highest rating achievable, with no reportable findings from the AQRT’s inspection.

From its own reviews, the Committee concluded that there had been appropriate focus and challenge by PwC on the primary areas of the audit and that they had applied robust challenge and appropriate scepticism throughout the audit. Based on this, and taking into account the AQRT report, the Committee has recommended to the Board that PwC be reappointed as external auditors at the 2025 AGM.

Members

Nick Luff (Chair)
George Culmer
Lord Jitesh Gadhia
Beverly Goulet

Biographies are on pages 68 and 69

Remit

See page 72

Non-audit services

To safeguard the auditor’s independence and objectivity, and in accordance with the FRC’s ethical standard, we do not engage PwC for any non-audit services, except where it is work that they must, or are clearly best-suited to, perform. Accordingly, our policy for the engagement of the auditor to undertake non-audit services broadly limit these to audit-related services such as reporting to lenders and grant providers, where there is a requirement by law or regulation for the auditors to perform the work. All other non-audit services are considered on a case-by-case basis in light of the requirements of the FRC’s ethical standards and in compliance with our own policy.

Fees paid to PwC are set out in note 7 to the Consolidated Financial Statements on page 149. All proposed services must be pre-approved in accordance with the policy which is reviewed and approved annually. Above defined levels, my approval is also required before PwC is engaged. We also review the non-audit fees charged by PwC on a quarterly basis. Our non-audit services policy can be found at www.rolls-royce.com

Non-audit related fees paid to the auditor during the year were £0.8m (2023: £0.9m), representing 6% (2023: 7%) of the audit fee. This included £0.7m (2023: £0.7m) relating to the review of the half-year results. Our annual review of the external auditor takes into account the nature and level of all services provided.

Based on our review of the services provided by PwC and discussion with the lead audit partner, we concluded that neither the nature nor the scale of the non-audit services gave any concerns regarding the objectivity or independence of PwC.

Summary

This report provides an understanding of the Committee’s work over the past year and I would like to thank my fellow colleagues on the Committee for their support during the year. Our evaluation noted that the Committee is operating well. Our focus in 2025, in addition to our oversight of the reporting environment, will include the control framework and risks and the role of both the risk and internal audit teams to ensure compliance with the 2024 UK Code.

Nick Luff

Chair of the Audit Committee

Remuneration Committee report

KEY AREAS OF FOCUS IN 2024

Implementation of our new remuneration policy following approval by shareholders

Delivering a new global share plan for the wider workforce

Developing refreshed financial and non-financial performance metrics to ensure alignment with our strategy, ongoing transformation agenda and new purpose and behaviours

Review of remuneration policy following publication of updated Investment Association principles of remuneration

I am pleased to present my third report as Chair of the Committee and would like to thank our shareholders for the support provided at our AGM for our new remuneration policy. Over 95% of votes cast supported the new policy, which enabled us to return to a conventional remuneration structure with an increased emphasis on long-term performance metrics aligned to our transformation. We are very appreciative of this strong level of shareholder support.

I am delighted to welcome Wendy Mars who joined the Committee in May. Wendy is Chair of our Safety, Energy Transition & Tech Committee and provides very welcome insight, including on our non-financial key performance metrics.

This letter outlines the key decisions taken by the Committee during 2024 and two proposed minor amendments to the policy for which we are seeking shareholder approval at the 2025 AGM.

Business context for 2024

At the Capital Markets Day in November 2023, shareholders were presented with a clear vision for Rolls-Royce to become a high-performing, competitive, resilient and growing business. There has been excellent progress made against these medium-term targets. Tufan Erginbilgic and the Executive Team have delivered continued improvement in performance levels with impressive progress made on the Group's transformation, generating real value for shareholders. Achievement of the medium-term guidance will take Rolls-Royce significantly beyond any previously achieved level of financial performance and we are on track to deliver the commitments ahead of schedule. We are determined to incentivise the management to build upon the progress made and maintain momentum. Success will require continued and intense focus from management to embed the transformation and deliver a sustained cultural shift in performance.

Implementation and amendment of the remuneration policy

Following shareholder approval, we have now returned to a more conventional remuneration structure and this has been cascaded through all leadership levels. There is strong incentive alignment between the Executive Directors and the wider workforce with clear, forward-looking, stretching targets aligned to our medium-term ambition. However, since the policy was approved, the Investment Association has issued revised principles of remuneration which have prompted us to request two minor amendments to the policy. The amendments are to enable a higher proportion of annual incentive to be paid in cash rather than deferred shares, where an Executive Director has already established a very significant level of share interest relative to salary, and to strengthen post-cessation shareholding requirements to align with the recommendations of the Investment Association.

Sustainability

We are sensitive to our responsibilities in reducing global carbon emissions. In 2024, there was a full strategic review of sustainability, and a granular plan, with defined metrics and targets, has been approved by the Board. Accordingly, we are now in a position to incorporate specific performance measures aligned to the strategic review within the Long-Term Incentive Plan, focusing on a reduction in Scope 1 + 2 emissions.

The 2024 annual incentive scorecard continued to be partly assessed against safety, our number one priority, in addition to employee engagement. For 2025, we are introducing further refinements to both of these metrics to ensure that they drive the behaviours which are expected from our people.

Remuneration decisions related to 2024

The current remuneration policy was agreed by shareholders at the AGM in 2024. Key features of the policy can be found on page 88 and how it operated during 2024 on pages 88 and 89.

Annual incentive outturn in respect of 2024

The annual incentive outturns for 2024 are above target, and align well with the wider stakeholder experience. The performance measures for 2024 were weighted 80% towards Group performance and 20% towards personal performance. At Group level, both free cash flow of £2,468m and underlying operating profit of £2,565m were significantly ahead of the original targets and maximum threshold for performance. This is exceptional performance relative to target and to prior years and rightly reflects maximum outturns for these elements. The scorecard continued to include two strategic measures to incentivise quality of financial performance. Underlying operating margin performance of 13.8% was ahead of the level required to trigger maximum payout, reflecting very significant year-on-year improvement. Operating cost performance was also ahead of target, with this portion vesting at 100% of maximum.

Non-financial performance metrics for 2024 related to safety and colleague engagement. A new survey was implemented in 2024 to provide a refreshed way of listening to our people and measuring both engagement plus the experience of our people in specific areas relevant to our new purpose and behaviours. For 2024, incentive targets were linked to colleague engagement relative to a global manufacturing peer group. For future years, we will have a baseline to track progress, with greater emphasis on behaviours relevant to our own purpose and transformation agenda. For 2024, the engagement score was above the external manufacturing peer group index but below the level necessary to achieve a maximum outturn. An outturn of 62.5% of maximum vesting was achieved. Colleague safety performance relative to target was strong with this portion vesting at 83.3% of maximum. In reviewing incentive outturns, the Committee considered the experience of internal and external stakeholder groups, in particular our employees and shareholders.

Our global incentive arrangements include strong alignment in targets throughout the Group which means that our wider workforce benefit from the excellent performance achieved in 2024. We are delighted with the continued positive experience for our shareholders given the market reactions to our 2024 half-year results and our strategic progress. In this context, the Committee is pleased to recognise this excellent performance in an overall outturn of 100% of maximum for Tufan Erginbilgic and 100% of maximum for Helen McCabe. In line with the new policy, half of the awards will be delivered in shares which will be granted in March 2025, using the share price at that time. These shares will be deferred for three years.

Long-term incentive plan (LTIP)

Under the new policy, we have reinstated an LTIP for Executive Directors and their first awards were granted in May 2024. No standard awards vested for the performance period ended 31 December 2024. However, under the terms of the buyout awards agreed for Helen McCabe on joining, some performance shares were granted with equivalent vesting terms to those which were forfeited upon Helen's resignation from her previous employer. The performance conditions for these shares will deliver a vesting level of 98% based upon financial performance over the period 1 January 2022 to 31 December 2024.

Wider workforce context

In parallel with the implementation of our new remuneration policy, we launched a new all-employee share plan for the wider workforce. We previously offered tax approved ShareSave and SharePurchase plans in the UK and a cash settled phantom ShareSave plan for colleagues outside the UK.

Coincident with our mid-year results, we announced a one-off award of 150 shares for all global colleagues. 'Your Shares: Gifted' has resulted in over 99% of our global workforce being directly invested in our purpose and strategy. In 2025, we will introduce an ongoing global SharePurchase plan 'Your Shares: Matched' which will allow our colleagues to continue to share in our success, enabled by affordable share ownership.

Global inflationary pressures have started to reduce across most of our locations worldwide but wage inflation remains elevated in most of the talent markets in which we operate. In 2024, the median base pay increase in the UK was 5%, with an average increase across the UK workforce of 4.69%. We have agreed a multi-year pay deal with our main UK trade union represented colleagues to cover the period up to 28 February 2027. This includes a total average increase of 5.5% in 2025.

Looking ahead – summary implementation of the remuneration policy in 2025

Salary

The Committee has reviewed the salaries for the Chief Executive and Chief Financial Officer and has concluded to make an award of 5% for both Tufan Erginbilgic and Helen McCabe effective 1 March 2025. This is below the median increase for the broader UK population for 2025 of 5.5%, and reflects their performance in role and wider market context for executive roles in multinational corporations of similar size and complexity.

We explained last year that our policy was benchmarked in mid-2023 against typical FTSE 50 levels. The progress that is being delivered by our Executive Team has taken the organisation into the FTSE 15 for most of 2024. We are committed to ensuring that we are able to attract and retain global leaders of the calibre required of our organisation and market context and continue to pay close attention to this area of our responsibility.

Annual incentive

The 2025 annual incentive measures and weightings will be slightly updated from 2024 to reflect our evolving priorities. The measures will include: free cash flow (40%); operating profit (30%); strategic objectives of customer delivery (5%) and operating profit margin (15%); people (5%) which includes engagement and colleague experience supporting the behaviours that we are seeking to embed in our organisation; and safety (5%) which remains the number one priority for all of our people.

Members	Lord Jitesh Gadhia (Chair) George Culmer Beverly Goulet Wendy Mars (joined May 2024)
	Biographies are on pages 68 and 69
Remit	See page 72

Long-term incentive plan

The LTIP award will be 375% of salary for the Chief Executive and 275% for the Chief Financial Officer. Following the three-year performance period, any vesting will be subject to a mandatory two-year holding period. The LTIP measures will include: free cash flow (30%); operating profit margin (30%); Scope 1 + 2 emissions (10%); and relative TSR (30%); assessed in equal parts against the FTSE 100 and the S&P Global Industrials index constituents.

Chair and Non-Executive Director fees

The Committee review the fees paid to the Chair and the Chair, together with the Executive Directors, review the fees paid to the Non-Executive Directors. It was agreed in 2023 to review fees annually, although not necessarily to increase them, to ensure that they remain consistent with market practice and reflect any changes in the responsibility, complexity and time commitment of the role. Having reviewed external benchmarking reports and in order to ensure the fees do not fall behind our peer group, an increment of 5% was recommended from 1 March 2025. See page 109.

Remuneration Committee advisers

During 2024, the Committee had access to advice from WTW. WTW were appointed by the Committee following a formal tender process in 2021. Total fees for the advice provided to the Committee during the year by WTW were £99,850 (2023: £174,500). Fees are based on a time and materials basis. WTW also provided human capital and benefits services to the Group. No Directors have a connection to WTW.

The Committee requests that WTW attend meetings periodically during the year. The Committee is exclusively responsible for reviewing, selecting and appointing its advisers and is satisfied that the advice it has received has been objective and independent and that there is no conflict of interest associated with any advice provided. WTW is a member of the remuneration consulting group and, as such, voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK.

In 2024, the Committee carried out a review of the performance of WTW. This focused on the strength of the WTW team, treatment of sensitive topics and their awareness of Rolls-Royce and its stakeholders in the context of remuneration. The findings from this review and agreed actions were approved by the Committee.

Summary

I am delighted with the progress that is being made on the transformation programme and the impact that this is having for shareholders. We are pleased with the level of alignment we have managed to achieve between shareholders, management and the wider workforce. I am excited about the role that the Committee can continue to play in reinforcing the performance culture that we are building.

Lord Jitesh Gadhia

Chair of the Remuneration Committee

Remuneration at a glance

This section provides a summary of the current remuneration policy and its implementation that was approved by a binding shareholder vote at the AGM on 23 May 2024 (see page 110). The full policy can be found on the corporate governance section at www.rolls-royce.com

Summary of our current remuneration policy

<div>Fixed pay</div> <div>Base salary</div> <div>Benefits</div> <div>Retirement</div>	<div>Variable pay</div> <table><tr><th>Annual Incentive</th><th colspan="4">Long-term incentive plan</th></tr><tr><td><div>80% Group performance + 20% individual performance</div><div><div>Financial</div><div>– Cash</div><div>– Profit</div><div>– Margin</div></div><div><div>Non-financial</div><div>– Safety</div><div>– Engagement</div><div>– Customer</div></div></td><td><div>30% free cash flow</div></td><td><div>30% operating margin</div></td><td><div>30% relative TSR</div></td><td><div>10% return on capital¹</div></td></tr><tr><td><div>50% deferral for three years</div></td><td colspan="4"><div>Three-year performance period plus two-year holding period</div></td></tr></table> <div><div>1</div> Return on capital will be replaced by Scope 1 + 2 greenhouse gas emission targets for the LTIPs awarded from 2025</div> <div><div>Malus and clawback</div> – Incentive awards are subject to malus and clawback provisions where there has been: 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 the Group; a breach of or inadequate response to a significant HSE or other environmental issue; failure to adequately manage/supervise others which in turn led to one of the above triggers; and/or materially incorrect calculation of an award. For awards issued under the incentive plan these provisions apply from the start of the performance period to three years after the date of grant or the settlement date, if later.</div> <div><div>Shareholding requirement</div> – in line with the Rolls-Royce shareholding requirements policy, Executive Directors are required to establish and maintain a level of share ownership in proportion to a percentage of base salary. The shareholding requirement is 400% for the Chief Executive and 300% for the Chief Financial Officer. Executive Directors are also required to retain the lower of their shareholding requirement or their actual shareholding at the date of leaving for 12 months after leaving and then half of that amount for the following 12 months. This requirement will be further strengthened through the changes proposed at the 2025 AGM.</div>	Annual Incentive	Long-term incentive plan				<div>80% Group performance + 20% individual performance</div> <div><div>Financial</div><div>– Cash</div><div>– Profit</div><div>– Margin</div></div> <div><div>Non-financial</div><div>– Safety</div><div>– Engagement</div><div>– Customer</div></div>	<div>30% free cash flow</div>	<div>30% operating margin</div>	<div>30% relative TSR</div>	<div>10% return on capital¹</div>	<div>50% deferral for three years</div>	<div>Three-year performance period plus two-year holding period</div>			
Annual Incentive	Long-term incentive plan															
<div>80% Group performance + 20% individual performance</div> <div><div>Financial</div><div>– Cash</div><div>– Profit</div><div>– Margin</div></div> <div><div>Non-financial</div><div>– Safety</div><div>– Engagement</div><div>– Customer</div></div>	<div>30% free cash flow</div>	<div>30% operating margin</div>	<div>30% relative TSR</div>	<div>10% return on capital¹</div>												
<div>50% deferral for three years</div>	<div>Three-year performance period plus two-year holding period</div>															

Executive Directors summary policy and implementation table 2024

Base salary	
Purpose and link to strategy	To attract and retain individuals of the right calibre to develop and execute the business strategy.
Key features of current policy	Salaries are reviewed annually but not necessarily increased. Decisions on salary are informed but not led by reference to companies of a similar size, complexity and international reach.
Implementation in 2024	<p>A salary increase of 4.5% was awarded to Tufan Erginbilgic and to Helen McCabe effective 1 March 2024. This increase was in line with the average increase for the UK management population and lower than the average increase for the wider workforce.</p> <p>In line with the previous policy, a proportion of salary paid up to 31 May 2024 was deferred into shares for two years (30% for the Chief Executive and 20% for the Chief Finance Officer). This arrangement ceased from 1 June 2024.</p>
Benefits	
Purpose and link to strategy	To attract and retain individuals of the right calibre to develop and execute the business strategy.
Key features of current policy	Benefits may include car allowance and related costs, financial planning assistance, private medical insurance, life assurance and other appropriate benefits at the discretion of the Committee.
Implementation in 2024	No changes to benefits.

Executive Directors summary policy and implementation table 2024 continued

Retirement	
Purpose and link to strategy	To attract and retain individuals of the right calibre to develop and execute the business strategy.
Key features of current policy	<p>Executive Directors are offered membership of a defined contribution plan. A cash allowance may be payable in lieu of contributions to the defined contribution plan.</p> <p>The maximum contribution is 12% of base salary only, in line with the rate offered to the wider UK workforce.</p>
Implementation in 2024	Contribution/allowance of 12%, in line with the rate for the wider UK workforce.
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. Mandatory deferral reinforces retention and enhances alignment with shareholders by encouraging longer-term focus and sustainable performance.
Key features of current policy	<p>An annual award which may be based on a combination of financial, operational or individual performance measures aligned to the Group's strategy. At least half the incentive awarded in any year will be deferred into shares, normally for a period of three years. Vesting of deferred shares is dependent on continued employment or good leaver status. The Committee may apply discretion to adjust any formulaic outturn. Malus and clawback provisions apply.</p> <p>Maximum annual opportunity: 200% of base salary.</p>
Implementation in 2024	An outturn of 195.7% of target (97.8% of maximum) for Tufan Erginbilgic and 195.7% of target (97.8% of maximum) for Helen McCabe.
Long-term incentive plan	
Purpose and link to strategy	We incentivise the execution of strategy, driving long-term value creation and sustainable long-term returns to shareholders.
Key features of current policy	<p>Awards are subject to performance targets normally assessed over three financial years. The number of shares will be adjusted to reflect performance on the third anniversary of the grant. The shares will vest on the five-year anniversary of the grant, after a two-year holding period.</p> <p>The Committee may apply discretion to adjust any formulaic outturn. Malus and clawback provisions apply.</p> <p>The maximum long-term incentive award for Executive Directors is 375% of base salary.</p>
Implementation in 2024	<p>Awards were made in May 2024 for the performance period ending 31 December 2026.</p> <p>There were no standard awards vesting during the year. However, 452,953 shares awarded to Helen McCabe under the terms of the buyout of awards forfeited from her previous employer vested in February 2024. Full details of the buyout were included in the 2023 remuneration report.</p>
Shareholding requirement	
Purpose and link to strategy	To align the interests of Executive Directors to those of shareholders by requiring Executive Directors to build a high level of personal shareholding in the Company during their employment and for a specified post-employment holding period.
Key features of current policy	<p>The shareholding requirement is 400% of base salary for Tufan Erginbilgic and 300% of base salary for Helen McCabe.</p> <p>Executive Directors are required to retain the lower of their shareholding requirement or their actual shareholding at the date of leaving for 12 months after leaving and then half of that amount for the following 12 months.</p>
Planned implementation in 2024	<p>Shareholdings as a % of salary as at 31 December 2024:</p> <p>Chief Executive – 2,468.7%</p> <p>Chief Financial Officer – 911.2%</p>

Alignment with shareholders

The policy ensures alignment with shareholders through a significant part of the overall reward package being delivered in shares with long holding periods. This alignment will remain the case if shareholders approve the proposed amendments to the current policy at the 2025 AGM (see page 90).

Remuneration policy

Introduction

The policy will take effect from immediately after the AGM to be held on 1 May 2025, subject to shareholder approval.

Key policy themes

At the 2024 AGM, shareholders approved a new remuneration policy with a vote of 95.6% in support for the resolution. We are not proposing any material changes to the current policy but are seeking shareholder support for two minor amendments which are detailed below. The amendments are proposed in light of the following:

1. Since the existing policy was approved, the Investment Association has issued revised principles of remuneration which acknowledge the competitive pressures facing UK listed businesses operating within a global talent market. As is evidenced by recent appointments to the Executive Team, we consider that Rolls-Royce is participating in a global talent market and we need to ensure that we have flexibility to attract and retain the right international leadership; and
2. Both Executive Directors are personally invested in Rolls-Royce through significant share interests which has created strong alignment with shareholders. Tufan Erginbilgic and Helen McCabe have fully satisfied their shareholding requirement under the current policy. As at 31 December 2024, Tufan Erginbilgic had achieved a shareholding interest of 2,468.7% of salary against a guideline of 400% of salary and Helen McCabe had achieved a shareholding interest of 911.2% against a guideline of 300% of salary. The driver of this shareholding position relative to salary has been the growth in shareholder value the Executive Team has created in recent years.

Changes to policy design

1. Tiered approach to annual incentive deferral linked to achievement of the shareholding guideline

An adjustment to the annual incentive deferral policy is proposed by introducing a tiered approach to mandatory deferral into shares, linked to the achievement of the in-employment shareholding guideline.

Under the proposed policy, the current level of annual incentive deferral would remain at 50% of salary 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 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. There is no proposed change to the length of the deferral period which will remain at three years.

Chief Executive	Proportion of annual incentive paid as cash	Proportion of annual incentive paid as shares (deferred for 3 years)
Share interests are below 400% of salary	50%	50%
Share interests are between 400% to 800% of salary	75%	25%
Share interests are over 800% of salary	100%	–

Chief Financial Officer	Proportion of annual incentive paid as cash	Proportion of annual incentive paid as shares (deferred for 3 years)
Share interests are below 300% of salary	50%	50%
Share interests are between 300% to 600% of salary	75%	25%
Share interests are over 600% of salary	100%	–

This tiered deferral is proposed to balance the need to encourage Executive Directors with limited shareholdings to build a material holding over time, while acknowledging that mandatory annual incentive deferral may not significantly enhance shareholder alignment for those with substantial existing shareholdings and, in fact, may inadvertently encourage Executive Directors to sell down shareholdings to realise cash.

Should shareholders approve the revised policy, this change will take effect for the annual bonus payable for the performance period ending 31 December 2025, and thereafter.

2. Enhanced post-cessation shareholding requirements

We are proposing enhanced post-cessation shareholding requirements to strengthen protection for shareholders. This would require our Executive Directors to hold the lower of their actual shareholding at leaving or 100% of the share ownership guideline for the full two years post-cessation, as opposed to the current requirement to hold the lower of their actual shareholding at leaving or 100% of the share ownership guideline for the first year following termination of employment and 50% for the second year. This proposal would align the Group's policy with the Investment Association's recommendation.

Period	Chief Executive (current)	Chief Executive (proposed)	Chief Financial Officer (current)	Chief Financial Officer (proposed)
First year following termination of employment	400% of base salary	400% of base salary	300% of base salary	300% of base salary
Second year following termination of employment	200% of base salary	400% of base salary	150% of base salary	300% of base salary

There are no further changes proposed to the policy.

No Executive Director or Executive Team member was present during discussion of his or her 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, we have consulted with our largest shareholders to provide context for the proposed minor adjustments to our policy. We have been pleased that the feedback that we have received has been substantially positive with shareholders supporting the rationale for the adjustments proposed.

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 May 2025.

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	<p>Salaries are reviewed annually but not necessarily increased. Decisions on salary are informed but not led by reference to:</p> <ul style="list-style-type: none"> – companies of a similar size, complexity and international reach; – 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. <p>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.</p> <p>No recovery or withholding applies.</p>
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 support wellbeing.
Operation	<p>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.</p> <p>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.</p> <p>No recovery or withholding applies.</p>
Maximum opportunity	<p>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.</p> <p>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.</p>
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	<p>Executive Directors are offered membership of a retirement savings plan. A cash allowance may be payable in lieu of contributions to the plan.</p> <p>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.</p>
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.
Performance measures	Not applicable.
Annual incentive	
Purpose and link to strategy	<p>We reward annual performance against stretching financial, strategic and individual targets aligned to delivery of the Group's strategy.</p> <p>Mandatory deferral reinforces retention and enhances alignment with shareholders by encouraging longer-term focus and sustainable performance.</p>
Operation	<p>The Group operates an annual incentive plan which may be based on a combination of financial, operational or individual performance measures aligned to the Group's strategy.</p> <p>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 on page 95.</p> <p>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 cash incentive paid and to any deferred shares within the three-year deferral period.</p>
Maximum opportunity	The maximum annual incentive opportunity for the Executive Directors is 200% of base salary.
Performance measures	<p>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 metrics, will depend on the strategic focus of the Group from year-to-year. At least 50% of the performance measures will be financial.</p> <p>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.</p>

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	<p>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.</p> <p>Awards are subject to performance targets normally assessed over three financial years. The number of shares will be adjusted to reflect performance on the third anniversary of the grant. The shares will vest on the five-year anniversary of the grant, after a two-year holding period. The Committee has discretion to set different performance periods if it considers appropriate.</p> <p>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 causes 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.</p> <p>The Committee has discretion to permit a dividend equivalent amount to accrue on shares during the holding period under the LTIP. Awards under the LTIP are subject to the malus and clawback policy which takes account of exceptional and adverse circumstances as described in the notes to the policy table (see page 95).</p> <p>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.</p>
Maximum opportunity	The maximum long-term incentive award for Executive Directors is 375% of base salary.
Performance measures	<p>The Committee determines performance measures 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.</p> <p>Measures for the 2024 award included: free cash flow (30%); operating margin % (30%); relative total shareholder return (30%); and return on capital % (10%). Return on capital will be replaced by Scope 1 + 2 greenhouse gas emission targets for the LTIPs awarded from 2025. 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. Normally, there is straight-line vesting between these points. No amount is payable if threshold levels of performance are not achieved.</p>
Share ownership	
Purpose and link to strategy	Ensures alignment with shareholders' interests.
Operation	<p>Executive Directors are required to build a holding of beneficially-owned shares equivalent in value to a percentage of their base salary. For the Chief Executive this requirement is 400% of salary and for the Chief Financial Officer and any other Executive Director this requirement is 300% of base salary. Where requirements are not met, Executive Directors must retain at least one half of after-tax shares released from the legacy single incentive plan, the deferred bonus arrangements and the LTIP until this requirement is met.</p> <p>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.</p>
Maximum opportunity	Not applicable.
Performance measures	Not applicable.

Remuneration policy table continued

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	<p>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.</p> <p>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.</p> <p>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.</p> <p>Other Non-Executive Directors are normally paid a base fee and additional fees for Board Committee chairmanship and membership responsibilities. The Senior Independent Director and Employee Champions 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.</p> <p>Non-Executive Directors are not eligible to participate in the annual bonus or LTIP.</p>
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 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.

Remuneration policy – worked examples for 2025

The tables below provide an illustration of what could be received by each Executive Director for the 2025 performance year, assuming minimum, on-target and maximum levels of performance. The maximum with share price increase scenario shows the impact of a 50% share price growth on the LTIP shares.

Tufan Erginbilgic Chief Executive £000

Minimum	100%	£1,566
On-target	26% 23% 51%	£6,024
Maximum	17% 29% 54%	£9,453
Maximum assuming 50% increase in share price	13% 23% 43% 21%	£12,024

■ Fixed pay ■ Annual incentive ■ LTIP ■ Share price increase

Helen McCabe Chief Financial Officer £000

Minimum	100%	£921
On-target	30% 26% 43%	£3,029
Maximum	20% 34% 47%	£4,700
Maximum assuming 50% increase in share price	16% 27% 38% 19%	£5,794

Minimum	Fixed remuneration (salary, retirement, benefits)
On-target	Fixed remuneration, on-target annual incentive (equivalent to 100% of salary for both the Chief Executive and Chief Financial Officer) and 60% vesting of the LTIP (equivalent to 225% for the Chief Executive and 165% for the Chief Financial Officer)
Maximum	Fixed remuneration, maximum annual incentive (equivalent to 200% of salary for both the Chief Executive and Chief Financial Officer) and 100% vesting of the LTIP (equivalent to 375% for the Chief Executive and 275% 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 bonus 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.

	Year 1	Year 2	Year 3	Year 4	Year 5
Fixed pay (salary and benefits)					
Annual bonus	One year performance period. 50% in cash	50% in shares deferred for three years. ¹ No further performance conditions attached to the award			
LTIP	Three-year performance period			Two-year holding period	

¹ Deferral of 50% of the annual bonus will apply unless an Executive Director has satisfied at least their minimum shareholding requirement. 25% of the annual bonus 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

Notes to the policy table

Performance measure selection and setting

The annual bonus 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 bonus and performance measures for the LTIP awards are reviewed 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

A malus provision applies to awards granted under the LTIP and to unvested awards under the Incentive Plan which were granted under the previous policy, to new awards granted under the proposed policy and the mandatory bonus deferral arrangements. This would allow the Committee, in its absolute discretion, to determine at any time prior to the vesting of an award, to reduce or cancel the award 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 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.

A clawback provision applies to vested awards granted under the LTIP, the mandatory bonus deferral arrangements and deferred shares granted under the Incentive Plan, as well as annual bonuses paid previously. This would allow the Committee, in its absolute discretion, to claw back from individuals some or all of the vested awards or paid bonus in the circumstances described above.

The malus provisions apply from the date of grant until the settlement date. The clawback period extends for a further three years, up to six years, from the date of grant.

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 200% of the annual bonus and 375% 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, bonus 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 bonus plan metrics cascade from Executive Directors to the vast majority of our wider workforce and our LTIP plan cascades to a large proportion of our global management population as well as our key talent groups (approximately 12% of the 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 future strategy.

The Committee is supportive of providing all employees with the opportunity to become shareholders, again aligning the interests of the wider workforce, the Executive Directors and our shareholders. In 2024, we implemented a new all-employee share plan, moving from a ShareSave plan which is cash settled outside of the UK, to a global purchase plan where the Company has the opportunity to match personal investment up to a certain value each month. Our new plan enables share ownership from the outset, driving engagement with both business and share price performance and reinforcing the message that we all benefit if the business succeeds.

Input on the 2024 remuneration policy was sought from employee groups at all levels within the organisation, including the European works council and representatives of our global management population. Input was received by both face-to-face and virtual meetings. We shared how reward packages for Executive Directors are typically structured and received input on appropriate performance measures to determine pay outcomes and how incentive structures should cascade to the wider organisation.

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 in all of our share plans are covered by the respective plan rules. Change of control provisions in respect of employee share plans are set out overleaf.

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)	<p>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 his or her company car through the notice period, or the balance of it, as an alternative to making cash payments.</p> <p>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.</p>
Change of control	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, who may have regard to projected performance over the whole period, and applying time pro-rating. Alternatively, awards may be exchanged for new awards over shares in the acquiring company in some circumstances.
Other entitlements on termination	<p>There is no contractual entitlement to notice or any other payments in respect of the period after cessation of employment if the individual is summarily dismissed.</p> <p>Please see payments for loss of office below for a summary of other entitlements which may be due upon termination and which relate to remuneration.</p>

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.

Component	Approach
Annual incentive	<p>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.</p> <p>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 bonus will typically be made at the same time as annual bonuses are paid to other employees. Clawback will continue to apply to the cash element of any payment made in respect of an annual bonus. The Committee will determine if it is appropriate in the particular circumstances to apply bonus deferral.</p> <p>Deferred shares allocated in part satisfaction of annual incentives shall 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.</p>
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 pro-rating, 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 pro-rated for time but the holding period will normally remain in force.
SIP and SAYE schemes	The Executive Directors 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 incentive plan awards issued under the previous policy, 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 that policy.

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.

Provision 40, section 41 disclosures

When developing the proposed remuneration policy and considering its implementation, the Committee was mindful of the Code and considers that the executive remuneration framework appropriately addresses the following factors:

Clarity	We provide open and transparent disclosures regarding our remuneration arrangements for Executive Directors. We have explained the changes to our proposed remuneration policy in a way that highlights alignment to both our vision and strategy as well as the provisions of the Code.
Simplicity	Remuneration arrangements for our Executive Directors and our wider workforce are simple in nature and well understood by both participants and shareholders.
Predictability	Our remuneration policy contains details of maximum opportunity levels for each component of pay, with actual incentive outcomes varying depending on the level of performance achieved against specific measures.
Proportionality, risk and alignment to culture	<p>The metrics used to measure performance for incentive awards drive behaviours that are closely aligned to our vision and strategy. In particular, our variable pay arrangements continue to focus on delivering an unprecedented level of transformation.</p> <p>The Committee considers that our variable pay structures do not encourage inappropriate risk-taking.</p> <p>The incentives are subject to the achievement of stretching performance targets and the Committee's holistic assessment of performance that can result in the application of discretion.</p> <p>The use of holding periods and our shareholding requirements, including after leaving employment with the Group, provide a clear link to the ongoing performance of the business and, therefore, alignment with shareholders.</p> <p>Malus and clawback provisions also apply to the Incentive Plans.</p>

Implementation of remuneration policy for 2025

Base salary	A salary increase of 5% for the Chief Executive and 5% for the Chief Financial Officer is proposed. This takes into account their performance and the wider market for executive roles in multinational corporations of similar size and complexity. Median base pay increases for the wider UK workforce will be 5.5%.
Benefits	There will be no change to our approach to benefits in 2025, 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 2025 will be based on 80% Group performance and 20% individual performance, with a maximum opportunity for both Tufan Erginbilgic and Helen McCabe of 200% of salary. Subject to the amendments proposed for shareholder approval at the 2025 AGM, 50% of any incentive payable would be delivered in shares which will vest after three years.

The performance metrics have been reviewed and updated for 2025 to reflect key strategic priorities for the Group.

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%	Employee engagement is an objective way of assessing how engaged our employees are with the business and its leaders.

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 2025 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 375% of salary for Tufan Erginbilgic and 275% 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.

Metrics	Weighting	Threshold ¹ (20% vesting)	Maximum ¹ (100% vesting)	Link to strategy
Free cash flow (three-year cumulative)	30%	£9,234m	£10,434m	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)	30%	13.8%	15.5%	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)	30%	Median	Upper quartile	Closely aligns executive pay outcomes with the shareholder experience, a measure favoured by a large proportion of our shareholder base.
Progress against our science aligned target to reduce Scope 1 + 2 greenhouse gas emissions (1 January 2025 to 31 December 2027 total cumulative emissions)	10%	925 kTCO ₂ e	757 kTCO ₂ e	Aligns executive pay outcomes with our commitment to reduce Scope 1 + 2 greenhouse gas emissions by 46% by 2030 (against a 2019 baseline).

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.

2024 remuneration report

Executive Directors' remuneration

The following pages show how we have applied our remuneration policy during 2024 and disclose all elements of remuneration received by our Executive Directors.

Executive Directors' single figure of remuneration (audited)

	Tufan Erginbilgic		Helen McCabe ¹		Panos Kakoullis ¹	
	2024 £000	2023 £000	2024 £000	2023 £000	2024 £000	2023 £000
Salary (a)	1,136	875	690	242	–	395
Salary as deferred shares	160	375	62	60	–	84
Benefits (b)	105	29	29	13	–	16
Annual Incentive Plan (c)	2,556	4,680	1,483	908	–	1,430
Long-Term Incentive Plan	–	–	–	–	–	–
Retirement Allowance (d)	156	150	90	36	–	57
Previous employer buyouts (e)	–	7,500	–	2,537	–	–
Total remuneration	4,113	13,609	2,354	3,796	–	1,982
Total fixed remuneration	1,557	1,429	871	465	–	552
Total variable remuneration	2,556	12,180	1,483	3,331	–	1,430

1 Helen McCabe was appointed on 1 August 2023. Panos Kakoullis stepped down from the Board on 4 August 2023

a) Salary (audited)

The Company provides suitable competitive salaries to attract and retain individuals of the right calibre to develop and execute the business strategy.

Discrepancies between single figure of remuneration salary and base salary:

- from the date of their appointments until 31 May 2024, 30% of Tufan Erginbilgic's salary and 20% of Helen McCabe's salary was deferred into shares for two years. From June 2021, 20% of Panos Kakoullis' salary was deferred into shares for two years. The shares are not subject to performance conditions nor conditional on continued employment. However, if the Executive Director is summarily dismissed as a result of their actions or the result of actions of others acting under their instruction, the shares will immediately lapse.

In February 2025, the Committee reviewed the base salaries of Tufan Erginbilgic and Helen McCabe and agreed an increase of 5%. This reflects prevailing wage inflation for executive roles.

	Base salary as at 1 March 2025	Base salary as at 1 March 2024
Tufan Erginbilgic	£1,371,563	£1,306,250
Helen McCabe	£795,506	£757,625

b) Benefits (audited)

Benefits are provided to ensure that remuneration packages remain sufficiently competitive to attract and retain individuals of the right calibre to develop and execute the business strategy and to enable them to devote themselves fully to their roles. The value of all taxable benefits paid to Executive Directors is shown below.

	Car or car allowance £000		Medical insurance £000		Travel and subsistence £000		Tax benefit £000		Total £000	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Tufan Erginbilgic	15	15	64	–	26	14	–	–	105	29
Helen McCabe	15	6	2	1	11	6	–	–	28	13
Panos Kakoullis	–	10	–	1	–	4	–	1	–	16

c) Annual Incentive Plan (audited)

The Annual Incentive Plan is designed to incentivise the execution of the business strategy, delivery of financial targets and the achievement of personal objectives. Incentive awards are made in March each year, following the prior calendar year performance period. Half of the incentive is deferred into shares for three years and includes the right to receive an amount equal in value to any shareholder distributions issued during the deferral period. The shares are conditional on continued employment but do not have further performance conditions. The annual maximum for the Chief Executive and the Chief Financial Officer is 200% of base salary.

- 80% of the award is based on Group performance; and
- 20% of the award is based on individual performance.

The Committee reviewed the 2024 outturn against the performance measures.

2024 annual incentive performance outturns

	Weighting	Threshold (50% outturn) ¹	Target (100%)	Maximum (200%) ¹	Performance pre-adjustments	Performance post-adjustments	% of target	% of maximum
Annual targets:								
Free cash flow ²	40%	1,600	1,800	2,000	2,452	2,468	200%	100%
		Actual £2,468m						
Operating profit ³	20%	1,600	1,800	2,050	2,501	2,565	200%	100%
		Actual £2,565m						
People ⁴	10%							
– Our Voices survey	5%	75%	n/a	81%	125%	125%	125%	62.5%
		Actual 78%						
– Safety index score	2.5%	92%	94%	96%	200%	200%	200%	100%
		Actual 96%						
– Total Reported Injuries	2.5%	0.33%	0.3%	0.27%	133%	133%	133%	66.5%
		0.29%						
Key strategic objectives ⁵	30%							
– Operating cost ⁶	15%	6,769	6,619	6,469	6,576	6,368	200%	100%
		Actual £6,368m						
– Operating profit margin ³	15%	10.3%	10.7%	12.3%	13.8%	14.2%	200%	100%
		Actual 14.2%						
Outcome							194.6%	97.3%

1 Payout between threshold and target and target and maximum is calculated on a straight line sliding scale

2 Free cash flow has been adjusted to account for FX changes in order to ensure that targets and assessments are measured on a like-for-like basis

3 Operating profit has been adjusted to account for FX changes (see footnote 2)

4 The people objective was weighted 50% to the Gallup engagement score and 50% to safety measures

5 Key strategic objectives aligned to the broader transformation objectives and were weighted 50% to operating cost and 50% to operating profit margin

6 Operating cost has been adjusted to reflect FX changes (see footnote 2) and discretion has been applied to neutralise the impact of costs directly linked to fully funded customer business, above target incentive accruals and unbudgeted gains from employee share plans

The Committee considered adjustments to targets resulting from events which were not anticipated at the time the targets were set, to ensure that targets and assessments are measured on a like-for-like basis. The details of the adjustments are included in the footnotes above.

As a result of these adjustments, the incentive plan outturns are 194.6% of target and 97.3% of maximum.

	Tufan Erginbilgic	Helen McCabe
Group performance (% of maximum) – weighting 80%	97.3%	97.3%
Individual performance (% of maximum) – weighting 20%	100%	100%
Actual award – % of maximum	97.8%	97.8%
Actual award – % of salary	195.7%	195.7%
Actual award – £000	£2,556	£1,483

Half of the annual incentive award will be delivered in deferred shares for three years which will vest subject to continued employment. No further performance conditions are attached.

Definitions used for performance measures:

Operating profit – adjusted Group underlying operating profit before tax for 2024.

Free cash flow – adjusted Group free cash flow.

Operating cost – adjusted Group operating costs (which exclude direct procurement of parts and components).

Operating profit margin – adjusted Group underlying operating profit margin.

People – weighted 50% to the Our Voices survey and 50% to internal safety measures (the safety index and total reported injury rates). 2024 was the first year our people used the Our Voices survey, which enables peer comparisons against a global manufacturing peer group. The safety index is an established internal KPI used by all divisions and was included for the first time as an incentive metric for 2023.

Individual performance

Subject to achievement of a minimum financial threshold, the Executive Directors have 20% of their incentive based on the achievement of their personal objectives. The financial threshold for 2024 was to deliver a Group free cash flow of a minimum of £900m. Personal performance objectives are set at the beginning of the year and are aligned with the Group's priorities.

Objective	Measure	Assessment against objective
Chief Executive: Tufan Erginbilgic		
Safety	Ensure focus on safety of our people, measured by ensuring total reportable injuries rate remains below 0.3, and maintaining world-class performance of product safety.	Safety culture consistently reinforced at every level in the organisation and embedded in the new behaviours. Our Voices employee listening results demonstrated safety is understood by all layers of the organisation as our number one priority. Total reportable injuries rate reduced year-on-year to 0.29. Strong performance maintained in respect of product-related safety management.
Financials	Deliver free cash flow of £1,800m; deliver operating profit of £1,800m; deliver operating margin of 10.7%; and deliver operating cost of no more than £6,619m.	Significant and sustainable progress made on all KPIs enabling updated mid-term guidance to be delivered.
Strategic milestones	Embed a multi-year transformation programme that will eliminate aircraft on ground and deliver a step change in original equipment performance and commercial capability across the Group. Embed third-party cost savings to deliver £1bn of savings over the mid-term. Secure strategic partnership for Rolls-Royce SMR.	Zero-based budgeting having significant impact across the Group, with targeted opportunities for 2025. Significant progress on onerous contract renegotiation and commercial optimisation. CEZ deal executed for Rolls-Royce SMR. Plan developed and in progress to address aircraft on ground and original equipment performance in 2025.
People	Implement the new organisational design to deliver £200m of annualised savings by the end of 2025. Deliver reduced layers, increased spans of control and retain key diverse talent. Maintain strong engagement scores measured by Our Voices in 2024.	New organisational design went live on 1 June and is on track to deliver targeted savings with improved spans and layers.

Overall personal performance assessment: 200%

Chief Financial Officer:

Helen McCabe

Safety	Continue to build a culture that puts safety at the heart of everything we do. Ensure robust compliance and controls environment.	Internal controls and compliance processes and culture strengthened across the Group. Consistent and effective advocate for safety culture.
Financials	Deliver free cash flow of £1,800m; deliver operating profit of £1,800m; deliver operating margin of 10.7%; and deliver operating cost of no more than £6,619m.	Significant out performance across all financial KPIs enabling updated mid-term guidance to be delivered. Improved quality of delivery with: a) working capital targets met; b) total cash costs/gross margin ratio of 0.47 (2022: 0.8 and 2023: 0.59); and c) efficiency and simplification delivery and significant progress on procurement third-party costs delivery. Net cash/EBITDA X: 0.1 significant improvement year-on-year.
Strategic milestones	Achieve investment grade credit rating with all three agencies; embed zero-based budgeting across the Group; reset and strengthen performance management processes throughout the Group; and develop and move to implement IT & Digital and Group Business Services (GBS) strategies.	Investment grade ratings achieved with all three credit rating agencies, with positive outlook maintained. Capital frame structured to enable shareholder payments to resume. New performance management processes embedded throughout the Group. Zero-based budgeting having significant impact with targeted opportunities for 2025. IT & Digital and GBS strategies defined and moving to implementation.
People	Implement new organisational design in Finance, GBS, IT & Digital. Strengthen talent pipeline for critical roles.	New organisational design implemented, including refreshed finance leadership team.

Overall personal performance assessment: 200%

d) Retirement (audited)

Executive Directors are offered membership of a defined contribution plan with a maximum employer contribution of 12% of salary (or cash allowance of equivalent value). This aligns to the average rate for the UK workforce.

In 2024, Tufan Erginbilgic and Helen McCabe received a cash allowance in lieu of employer contributions.

e) Compensation for remuneration forfeited from previous employment (audited)

Chief Financial Officer

As disclosed in the previous report, Helen McCabe has been compensated for remuneration forfeited from previous employment. This included 452,953 shares which vested in February 2024 and a cash payment of £113,750 in March 2024.

Malus and clawback

Awards to compensate for remuneration forfeited from previous employment for both Tufan Erginbilgic and Helen McCabe are subject to the Rolls-Royce malus and clawback policy.

Payments to past directors (audited)

Jasmin Staiblin stepped down as a Non-Executive Director from the Board on 13 May 2021. Jasmin was appointed as a member of the supervisory board of Rolls-Royce Power Systems AG on 10 June 2021 and as chair of their supervisory board, executive committee, audit committee and mediation committee on 11 June 2021. Payments of £259,905 have been made to Jasmin in 2024 in relation to her appointment (2023: £270,948). No other payments have been made to past directors during the year.

Payments for loss of office (audited)

It was announced on 31 March 2023 that Panos Kakoullis would leave the business. He stepped down from the Board on 4 August 2023 and left the Group on 31 August 2023. The Committee agreed that Panos would receive a payment in lieu of notice for the seven unworked months of his 12-month notice period, reflecting base pay, a cash allowance in lieu of employer contributions to a defined contribution plan and the cost of providing benefits. A pay in lieu of notice of £483,221 was, therefore, paid to Panos on 31 August 2023. Panos was deemed a good leaver in respect of his unvested incentive plan awards from 2021 and 2022, all of which were delivered in shares in March 2022 and March 2023, and which will vest in accordance with the original vesting schedule between March 2025 and March 2027.

Executive Directors' shareholdings and share interests**Executive Directors' share interests (audited)**

The Directors and their connected persons hold the following interests in the ordinary shares of the Company:

	Ordinary shares owned outright		Conditional shares not subject to performance conditions (salary as deferred shares)		Conditional shares not subject to performance conditions		Conditional shares subject to performance conditions		Shares subject to purchase plan (Share Purchase Plan)	
	27 February 2025	31 December 2024	27 February 2025	31 December 2024	27 February 2025	31 December 2024	27 February 2025	31 December 2024	27 February 2025	31 December 2024
Tufan Erginbilgic	14,568	–	232,047	259,584	9,534,752	9,534,752	1,129,193	1,129,193	–	–
Helen McCabe	239,638	239,638	42,801	42,801	1,145,243	1,145,243	697,652	697,652	416	365

Executive Directors' share awards (audited)

The following sets out details of share awards that were granted, outstanding and vested during the year. See above for compensation for remuneration forfeited from previous employment in respect of the LTIP grants made during 2023 for Tufan Erginbilgic and Helen McCabe.

	Balance at 31 December 2023	Granted during the year	Vested during the year	Lapsed during the year	Balance at 31 December 2024	Date of grant	Market price at date of grant (p)	Date of vest/lapse	Market price at date of vest/lapse (p)	Face value of award (£000)
Tufan Erginbilgic										
LTIP (buyout) ¹	4,128,138	–	–	–	4,128,138	08/03/2023	90.84	08/03/2027	n/a	3,750
LTIP (buyout) ¹	4,128,138	–	–	–	4,128,138	08/03/2023	90.84	08/03/2028	n/a	3,750
2024 LTIP ²	–	1,129,193	–	–	1,129,193	28/05/2024	433.80	24/05/2029	n/a	4,898
Incentive Plan ¹	–	511,390	–	–	511,390	01/03/2024	366.10	01/03/2027	n/a	1,872
Incentive Plan ¹	–	767,086	–	–	767,086	01/03/2024	366.10	01/03/2028	n/a	2,808
Salary as deferred shares	217,547	42,037	–	–	259,584	28/05/2024	Various	28/05/2026	n/a	535

	Balance at 31 December 2023	Granted during the year	Vested during the year	Lapsed during the year	Balance at 31 December 2024	Date of grant	Market price at date of grant (p)	Date of vest/lapse	Market price at date of vest/lapse (p)	Face value of award (£000)
Helen McCabe										
LTIP (buyout) ¹	452,953	–	452,953	–	–	29/11/2023	153.00	29/02/2024	3.66	1,659
LTIP (buyout) ¹	734,968	–	–	–	734,968	29/11/2023	153.00	08/03/2025	n/a	1,148
LTIP (buyout) ²	118,156	–	–	–	118,156	29/11/2023	153.00	08/03/2025	n/a	181
LTIP (buyout) ²	99,212	–	–	–	99,212	29/11/2023	153.00	08/03/2026	n/a	152
LTIP (buyout) ¹	162,337	–	–	–	162,337	29/11/2023	153.00	08/03/2026	n/a	248
2024 LTIP ²	–	480,284	–	–	480,284	24/05/2024	433.80	24/05/2029	n/a	2,084
Incentive Plan ¹	–	99,175	–	–	99,175	01/03/2024	366.10	01/03/2027	n/a	363
Incentive Plan ¹	–	148,763	–	–	148,763	01/03/2024	366.10	01/03/2028	n/a	545
Salary as deferred shares	26,548	16,253	–	–	42,801	Various	Various	Various	n/a	122

¹ Shares are not subject to performance conditions

² Shares are subject to performance conditions

Salary as deferred shares	<p>Until 31 May 2024, 30% of Tufan Erginbilgic's salary and 20% of Helen McCabe's salary was deferred into shares for two years. During 2024, shares were awarded on a monthly basis from January to May at market price under the rules of the incentive plan (the date of grant in the table above is the last grant made in 2024). These shares will vest on a monthly basis from January 2025 (the date of vest/lapse in the table above is the vest date of the last grant made in 2024). The face value has been determined using the market price of each monthly award in 2024 set out below. The shares are not subject to performance conditions nor conditional on continued employment. However, if the Executive Director is summarily dismissed as a result of their actions or the result of actions of others acting under their instruction, the shares will immediately lapse.</p> <table><tr><th>Jan</th><th>Feb</th><th>Mar</th><th>Apr</th><th>May</th></tr><tr><td>£3.065</td><td>£3.586</td><td>£4.220</td><td>£4.057</td><td>£4.448</td></tr></table>	Jan	Feb	Mar	Apr	May	£3.065	£3.586	£4.220	£4.057	£4.448
Jan	Feb	Mar	Apr	May							
£3.065	£3.586	£4.220	£4.057	£4.448							
Incentive Plan	<p>Both Tufan Erginbilgic and Helen McCabe were granted an award of deferred shares under the Incentive Plan in March 2024 in respect of the 2023 financial year. The average closing share price in the three days prior to the award was used to calculate the number of shares awarded. 40% of each award was deferred for three years, vesting in March 2026 and 60% of the shares will vest in March 2027. These are the final awards to be made under the hybrid incentive plan which operated for performance periods covering 1 January 2021 to 31 December 2023.</p>										
2024 LTIP	<p>In line with our new policy, Tufan Erginbilgic and Helen McCabe were granted an award of performance shares in May 2024 which are subject to performance conditions measured over 2024, 2025 and 2026, and will be subject to a further two years' deferral requirement from May 2027 until May 2029.</p>										

Executive Directors' shareholding requirements (audited)

In line with our shareholding requirements policy, Executive Directors are required to establish and maintain a level of share ownership in proportion to a percentage of base salary. The shareholding requirement is 400% for the Chief Executive and 300% for the Chief Financial Officer. Share interests that are included in the shareholding requirements are as follows: shares vested from Company share plans; shares held in the individual's own name or by a nominee; shares held by a person closely associated (PCA) (as defined by UK Market Abuse Regulation) where the PCA has given express permission; shares held as part of the SharePurchase Plan; and, the estimated net-of-tax shares held in trust as part of unvested awards under the incentive plan where the awards are not subject to any performance conditions.

Individuals are expected to meet the shareholding requirement within five years of being subject to the policy. Where the shareholding requirements are not met, individuals may only dispose of shares in the following circumstances: to cover taxation; to cover any costs associated with the vesting or exercise of a share award; up to 50% of any shares acquired following the vesting of an award under the incentive plan; in connection with the operation of the malus and clawback policy; or where the Committee determines there are exceptional circumstances.

At 31 December 2024, Tufan Erginbilgic's shareholding represented 2,468.7% of his base salary and Helen McCabe's shareholding represented 911.1% of her base salary. They have been subject to the policy since January and August 2023 respectively. These percentages have been calculated by reference to the three-month average share price to 31 December 2024, being the last working day of the year.

At the date of this report, the Executive Directors are also required to retain the lower of their shareholding requirement or their actual shareholding at the date of leaving for 12 months after leaving and then half of that amount for the following 12 months. Warren East and Panos Kakoullis have agreed to hold shares in accordance with the shareholding requirements policy until December 2024 and August 2025, respectively.

Executive Directors' contractual arrangements

Each Executive Director has a service agreement that sets out their contract with the Company.

	Effective date of contract	Notice period from Company	Notice period from individual
Tufan Erginbilgic	1 January 2023	12 months	12 months
Helen McCabe	4 August 2023	12 months	12 months

Pay across the organisation

This section of the report enables our remuneration arrangements to be seen in context by providing:

- a comparison of the percentage change in our Directors' remuneration with the change in our UK employees' average remuneration over two years;
- a ten-year history of our Chief Executive's remuneration;
- our TSR performance over the same period;
- an indication of the ratio between our Chief Executive's remuneration and the remuneration of employees;
- gender pay reporting; and
- a year-on-year comparison of the total amount spent on employment costs across the Group and shareholder payments.

Percentage change in Directors' remuneration

The following table compares the percentage change in each of the Director's salary/fees, benefits and incentive to the average percentage change in salary, benefits and incentive for all UK employees for the past five years. This is reported only for Directors who have served two full years.

	2023-2024			2022-2023			2021-2022			2020-2021			2019-2020		
	Salary/ fees %	Benefits %	Incentive award %	Salary/ fees %	Benefits %	Incentive award %	Salary/ fees %	Benefits %	Incentive award %	Salary/ fees %	Benefits %	Incentive award %	Salary/ fees %	Benefits %	Incentive award %
Dame Anita Frew	16.73	40.00	n/a	n/a	(61.54)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Tufan Erginbilgic	3.68	262.07	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Helen McCabe ¹	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Birgit Behrendt ¹	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Stuart Bradie ¹	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Paulo Cesar Silva ¹	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
George Culmer ²	48.24	(60.00)	n/a	n/a	6.25	n/a	14.29	150	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Lord Jitesh Gadhia	32.22	–	n/a	38.46	(50)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Beverly Goulet ³	48.24	(26.87)	n/a	6.25	28.85	n/a	14.29	1,633.33	n/a	7.69	–	n/a	(7.5)	(72.27)	n/a
Nick Luff ⁴	18.95	–	n/a	n/a	–	n/a	5.56	–	n/a	38.46	–	n/a	(7.5)	–	n/a
Wendy Mars	54.22	(37.50)	n/a	18.57	60	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Dame Angela Strank ⁵	16.88	(50.00)	n/a	(14.44)	(50)	n/a	8.43	300	n/a	n/a	n/a	n/a	n/a	n/a	n/a
UK employees average ^{6,7}	4.69	(9.80)	(2.75)	5.77	(1.87)	25.42	5.71	3.8	3	1.03	(9.13)	1,435	1.96	2.23	(89.94)

1 Appointed during 2023 and therefore unable to provide percentage change for a full year's remuneration

2 George Culmer was appointed Senior Independent Director (SID) on 12 May 2022 and received an increase in fees

3 Beverly Goulet was appointed Lead Employee Champion on 12 May 2022 and received an increase in fees

4 Nick Luff was appointed Chair of the Audit Committee on 13 May 2021 and received an increase in fees

5 Dame Angela Strank was appointed Chair of the Safety, Ethics & Sustainability (SES) Committee on 13 May 2021 and received an increase in fees. She stepped down as Chair of the SES Committee on 11 May 2023

6 UK employees were chosen as a comparator group in order to avoid the impact of exchange rate movements over the year. UK employees including apprentices, graduates and interns make up 50% of the total employee population and are employed by Rolls-Royce plc or its relevant subsidiaries. Rolls-Royce Holdings plc has no employees

7 There was an incentive award for only a very small population in 2020, hence the significant increase in 2021

Chief Executive pay

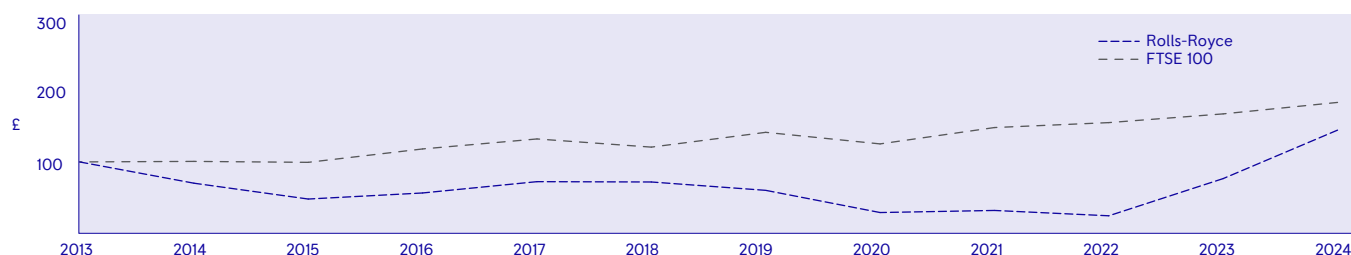
Year	Chief Executive	Single figure of total remuneration £000	Incentive award as a % of maximum	LTIP as a % of maximum
2024	Tufan Erginbilgic	4,113	97	–
2023	Tufan Erginbilgic	13,610	97	–
2022	Warren East	3,835	74	–
2021	Warren East	3,950	79.7	–
2020	Warren East	1,110	–	–
2019	Warren East	2,528	52	53
2018	Warren East	4,075	60	100
2017	Warren East	2,331	68	–
2016	Warren East	2,089	55	–
2015	Warren East	543	–	–
	John Rishton	754	–	–

John Rishton retired on 2 July 2015 and Warren East was appointed as Chief Executive on 3 July 2015.

Warren East retired on 31 December 2022 and Tufan Erginbilgic was appointed as Chief Executive on 1 January 2023. Tufan received compensation for remuneration forfeited from previous employment in 2023.

TSR performance

The Company's TSR performance over the previous ten years compared to a broad equity market index is shown in the graph below. The FTSE 100 has been chosen as the comparator because it contains a broad range of other UK-listed companies. The graph shows the change in value of a hypothetical £100 holding in the Company's ordinary shares over ten years (prior years adjusted for the rights issue), relative to the FTSE 100 index.



Chief Executive pay ratio

The Committee is mindful of the relationship between the remuneration of the Chief Executive and the wider employee population. This is the seventh year that we have published our Chief Executive pay ratio and we have continued to use option A. We believe that this is the most accurate and robust methodology because it relies on calculating actual full time equivalent remuneration for all relevant employees rather than rely on data collected for other purposes. We have used the full time equivalent total remuneration of all UK employees at 31 December 2024.

Year	Method	25th percentile	Median	75th percentile
2024	Option A	74:1	64:1	54:1
2023 ¹	Option A	254:1	219:1	185:1
2022	Option A	75:1	64:1	55:1
2021	Option A	88:1	76:1	63:1
2020	Option A	26:1	22:1	19:1
2019	Option A	66:1	56:1	48:1
2018	Option A	92:1	77:1	66:1

For 2024, the salary and total remuneration for the three employees identified at the 25th, median and 75th percentiles are as follows:

Year	25th percentile	Median	75th percentile
Salary ²	£44,585	£54,587	£64,687
Total remuneration	£55,219	£63,976	£76,643

¹ The 2023 pay ratio was elevated primarily by the award of shares valued at £7.5m at the time of grant to the Chief Executive as compensation for remuneration forfeited from previous employment. If this value was removed from the calculation the median pay ratio would have been 98:1

² Calculated using base pay as at 31 December 2024

There is good alignment between the reward structure for the Chief Executive and that of the wider workforce, with the majority of employees participating in an incentive plan with aligned financial metrics. We also encourage all eligible employees to join our all-employee share plans, with over 99% of our global population receiving an award of shares in 2024 under our Your Shares: Gifted plan. Over 50% of our global population enrolled in our most recent ShareSave plan and approximately 35% of the UK population also participate in our SharePurchase Plan. In 2025, we will be launching Your Shares: Matched, a global purchase plan which will be structured to offer matching free shares for every share purchased up to maximum monthly limit. This aligns to our broader strategy to increase employee share ownership and links directly to the transformation programme.

Relative importance of spend on pay

The following chart sets out the percentage change in payments to shareholders and overall expenditure on pay across the Group.

Payment to shareholders (£m)

(Consolidated cash flow statement)

2024	0 (0%)
2023	0 (0%)

Group employment costs (£m)

(Note 8, employee information – see page 150)

2024	3,951 (4.9%)
2023	3,768 (8.7%)

Gender pay reporting

In accordance with The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017, we published our UK gender pay gap in February 2025, which is available at www.rolls-royce.com:

Median gender pay gap across all employees in the UK

2024	4.4%
2023	3.7%

Mean gender pay gap across all employees in the UK

2024	1.6%
2023	1.2%

The slightly increased pay gap in the UK is a consequence of changing levels of representation of women within our workforce. For example, while never compromising on our merit-based approach, we have hired a higher proportion of female graduates and apprentices over recent years which skews the proportion of female employees with below average earnings in the near term. Women are currently less well represented in the middle two quartiles of our UK workforce due to proportionately more men being in professional level roles which are dominated by engineering or shop floor populations which attract a premium for working shifts.

Non-Executive Directors' remuneration**Non-Executive Directors' single figure of remuneration (audited)**

	Fees (£000)		Benefits (£000)		Total remuneration (£000)	
	2024	2023	2024	2023	2024	2023
Dame Anita Frew	572	490	7	5	579	495
Birgit Behrendt ¹	90	45	5	10	95	55
Stuart Bradie ¹	90	45	3	1	93	46
Paulo Cesar Silva ²	90	23	5	8	95	31
George Culmer	126	85	2	5	128	90
Lord Jitesh Gadhia	119	90	1	1	120	91
Beverly Goulet	126	85	49	67	175	152
Nick Luff	113	95	–	–	113	95
Wendy Mars ³	128	83	5	8	133	91
Dame Angela Strank ⁴	90	77	1	2	91	79
Paul Adams ⁵	n/a	54	n/a	6	n/a	60
Mike Manley ⁶	n/a	26	n/a	3	n/a	29
Sir Kevin Smith ⁶	n/a	26	n/a	1	n/a	27
Total	1,544	1,224	78	117	1,622	1,341

1 Birgit Behrendt and Stuart Bradie were appointed as Non-Executive Directors on 11 May 2023

2 Paulo Cesar Silva was appointed as a Non-Executive Director on 1 September 2023

3 Wendy Mars was appointed Chair of the Safety, Energy Transition & Tech Committee on 11 May 2023 and a member of the Remuneration Committee on 23 May 2024

4 Dame Angela Strank stepped down as Chair of the Safety, Ethics & Sustainability Committee on 11 May 2023

5 Paul Adams stepped down as Chair of the Science & Technology Committee on 11 May 2023 and from the Board on 1 September 2023

6 Mike Manley and Sir Kevin Smith stepped down from the Board on 11 May 2023

Non-Executive Directors' fees

The Chair's fee is reviewed by the Board as a whole on the recommendation of the Committee. The review of the other Non-Executive Directors' base fees is reviewed by the Chair and Executive Directors. No individual may be involved in setting his or her own fee. In December 2023, the Chair's fee and those of the other Non-Executive Directors were reviewed and it was agreed to change these with effect from 1 June 2024. No changes had been made to the Non-Executive Directors' fees since June 2014. Fees from 1 June 2024 are set out in the table below. Fees were reviewed further in 2025. Changes were approved effective 1 March 2025, as set out below, representing a 5% increase in line with the awards to our executive directors (see page 87).

	1 March 2025 £000	1 June 2024 £000	2023 £000
Chair	662	630	490
Other Non-Executive Directors base	95	90	70
Chair of the Audit Committee	37	35	25
Chair of the Remuneration Committee	37	35	20
Chair of the Safety, Energy Transition & Tech Committee	37	35	–
Chair of the Safety, Ethics & Sustainability Committee	–	–	20
Chair of the Science & Technology Committee	–	–	20
Committee member	16	15	–
Senior Independent Director	37	35	15
Lead Employee Champion	21	20	15
UK Employee Champion	16	15	–
North American board member	16	15	–

Non-Executive Directors' benefits (audited)

The benefits for Non-Executive Directors relate predominantly to travel, hotel and subsistence incurred in attending meetings and site visits.

For Non-Executive Directors based outside the UK, the Company may also pay towards tax advice and the cost of making tax filings.

Non-Executive Directors' share interests (audited)

The Non-Executive Directors are not eligible to participate in any of the Group's share schemes, incentive arrangements or pension schemes.

A facility is in place which enables Non-Executive Directors, who reside in a permitted dealing territory, to use some or all of their fees, after the appropriate statutory deductions, to make market purchases of shares in the Company on a monthly basis. Wendy Mars and Birgit Behrendt use this facility.

The Non-Executive Directors and their connected persons hold the following interests in the ordinary shares of the Company:

	27 February 2025	31 December 2024	23 February 2024	31 December 2023
Dame Anita Frew	350,000	350,000	350,000	350,000
Birgit Behrendt ¹	3,816	3,441	1,092	379
Stuart Bradie ¹	95,437	95,437	95,437	95,437
Paulo Cesar Silva ²	94,546	94,546	94,546	94,546
George Culmer	37,960	37,960	37,960	37,960
Lord Jitesh Gadhia	50,000	50,000	50,000	50,000
Beverly Goulet	40,972	40,972	40,972	40,972
Nick Luff	120,000	120,000	120,000	120,000
Wendy Mars	48,942	48,318	34,339	33,155
Dame Angela Strank	70,653	70,653	60,583	60,583

¹ Birgit Behrendt and Stuart Bradie were appointed as Non-Executive Directors on 11 May 2023

² Paulo Cesar Silva was appointed as a Non-Executive Director on 1 September 2023. He holds a percentage of his share interests as American Depositary Receipts

Non-Executive Directors' letters of appointment

Our Non-Executive Directors serve two, three-year terms followed by three, one-year terms (nine years in total).

	Original appointment date	Current letter of appointment end date
Dame Anita Frew	1 July 2021	30 June 2027
Birgit Behrendt	11 May 2023	10 May 2026
Stuart Bradie	11 May 2023	10 May 2026
Paulo Cesar Silva	1 September 2023	31 August 2026
George Culmer	2 January 2020	1 January 2026
Lord Jitesh Gadhia	1 April 2022	31 March 2025
Beverly Goulet	3 July 2017	2 July 2025
Nick Luff	3 May 2018	2 May 2025
Wendy Mars	8 December 2021	7 December 2027
Dame Angela Strank	1 May 2020	30 April 2026

Shareholder voting

The remuneration policy was last approved by shareholders at our 2024 AGM held on 23 May 2024 and the remuneration report was last approved by shareholders at our 2024 AGM held on 23 May 2024. Details of voting are shown in the table below. Withheld votes are not counted towards the total percentage of votes cast.

	For	% For	Against	% Against	Withheld
Approval of the remuneration policy (2024)	4,984,345,255	95.59	230,098,759	4.41	6,268,408
Approval of the remuneration report (2024)	5,114,309,895	97.99	104,645,100	2.00	1,753,668

Statutory requirements

The Committee's composition, responsibilities and operation comply with the principles of good governance, as set out in the Code, the UK Listing Rules (of the Financial Conduct Authority) and the Companies Act 2006. The Directors' remuneration report has been prepared on the basis prescribed in the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

The Remuneration Report, comprising the Remuneration Committee report, the remuneration policy and the 2024 remuneration report, has been approved by the Board and signed on its behalf by:

Lord Jitesh Gadhia
Chair of the Remuneration Committee
27 February 2025

Safety, Energy Transition & Tech Committee report

KEY AREAS OF FOCUS IN 2024

Principal risk reviews and deep dives into people and product safety. Site visit with safety focus to Power Systems in Friedrichshafen, Germany

Review of progress of the energy transition and climate agendas; review of the sustainability report for recommendation to the Board

Review of Group-wide improvement programmes for people safety

Technology and product roadmap timeline; deep dives focused on SMR and UltraFan programmes

I am pleased to present the 2024 report of the Safety, Energy Transition & Tech (SETT) Committee. The SETT Committee focuses on safety and the energy transition agenda and provides oversight and assurance of the Group's scientific and technological strategy, processes and investments. A summary of the SETT Committee's remit can be found on page 72. The Committee members, all Non-Executive Directors, bring deep experience in the Committee's areas of focus which they have gained in their various external executive roles. This is invaluable to the Committee in its oversight role and enables appropriate and robust challenge.

The Committee has met three times in 2024, with the February meeting focused on reporting only. After each meeting, the Committee meets without management present. During the year, the Committee members visited our Power Systems division in Friedrichshafen, Germany, where they met with key management and discussed safety, both people and product, and energy transition.

The Committee is supported at executive-level by the Director of Engineering, Technology & Safety and the Chief Transformation Officer, who have responsibility for the energy transition strategy and the Executive-level energy transition & technology committee. The Group's chief engineer is invited to attend every meeting of the Committee.

Safety

Safety, both people and product, is the first priority for the Group.

People safety updates were received at the two main meetings, including a summary of performance in 2024 and the associated action plans for 2025 to ensure continuous improvement towards embedding Group-wide standards and policies.

During 2024, we reviewed the updated product safety policy and considered in detail the product safety principal risk. The Committee reviewed reports regarding product safety risk management effectiveness from the Group's director of technical & safety assurance. In addition, any emerging factors identified as risk areas and the proposed improvements, including recommending increases in the audit of processes, were discussed. The Committee also reviewed relevant internal audit reports in relation to product safety.

In June 2024, members of the Committee visited Friedrichshafen, Germany, to meet different teams across the Power Systems division and to learn at first hand the management and importance of both people and product safety. We gained insight into the Power Systems business, including the latest reporting on safety metrics. We also took part in a round-table discussion with colleagues to discuss more broadly both product safety and the energy transition agenda.

Members

Wendy Mars (Chair)
Birgit Behrendt
Stuart Bradie
Paulo Cesar Silva
Dame Angela Strank

Biographies are on pages 68 and 69

Remit

See page 72

As part of the visit, the Committee was also taken on a tour of the manufacturing site. This focused on people safety and the division's journey to Zero Harm. The Committee also visited the training centre to gain an insight into the services operations. The Committee members were encouraged by the demonstrable commitment to the continuous improvement to the safety agenda.

Energy Transition

An area of focus for the Committee is to provide oversight of the Group's energy transition strategy and to receive progress reports against policies, strategies, KPIs, plans, capability, process and systems. During the year, we reviewed progress made in 2024 with Scope 1 + 2 emissions reduction plans and the Scope 3, category 11 (use of sold products) emissions reporting (see page 42). The Committee reviewed the proposed sustainability strategy ahead of its approval by the Board in July and, together with the Audit Committee, the Group's readiness for compliance reporting with the new regulations from 2026 onwards.

At our meeting in February 2025, as part of the year-end reporting, the Committee reviewed the Sustainability report set out on pages 32 to 45 and recommended it to the Board for approval.

Tech

In May 2024, the Group Director of Engineering, Technology & Safety presented the timeline for the product and technology roadmaps.

The Committee held two deep dives during the year which the full Board was invited to attend. During October, the Committee held a deep dive on the Rolls-Royce SMR programme. An update was presented on the development programme and completed work to date, with all our commitments and targets having been met to date. The Committee discussed the challenge of nuclear new build and support for decarbonising the industry. In November, a deep dive was held on UltraFan which covered an update of the programme, how UltraFan will contribute towards net zero and the next generation of advanced technology. In addition, a discussion took place on the UltraFan demonstrator which was delivering in line with expectations.

Summary

2024 was our first full year as the SETT Committee and I would like to thank my colleagues on the Committee for their engagement and support during the year. Our evaluation noted that this Committee had made a strong start. There is, however, more to do in 2025 in all areas of our remit. We will maintain a robust oversight of safety, both people and product, and the delivery of the sustainability strategy. The Committee are keen to learn more in respect of the technology agenda in 2025, including digital and AI, and how these impact the future of our technologies. We will continue to visit sites to ensure we can see at first-hand the progress being made.

Wendy Mars

Chair of the Safety, Energy Transition & Tech Committee

Responsibility statements

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Group Financial Statements in accordance with UK-adopted international accounting standards and the Company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 *Reduced Disclosure Framework* and applicable law).

Under company law, Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and the Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Directors' Report confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the Company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities and financial position of the Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group's and the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's and the Company's auditors are aware of that information.

By order of the Board

Claire-Marie O'Grady
Chief Governance Officer
27 February 2025