

# Remuneration Committee report

## KEY AREAS OF FOCUS IN 2025

- Design of, and consultation with shareholders on, a new remuneration policy
- Delivery of our new global share plan for the wider workforce
- Consideration of financial and non-financial performance metrics to drive continued delivery of our transformation



**Members** Lord Jitesh Gadhia (Chair)  
Stuart Bradie  
George Culmer  
Beverly Goulet  
Wendy Mars

**Remit** See page 68

On behalf of the Remuneration Committee, I am pleased to present our Remuneration report for 2025. This letter outlines the key decisions taken by the Committee during 2025 and new remuneration policy proposals for which we are seeking shareholder approval at the 2026 AGM.

I am pleased to welcome Stuart Bradie, who joined the Committee in August. Stuart is also a member of our Safety, Energy Transition & Tech Committee and will provide insights into our non-financial key performance metrics in addition to his broader insights as a global business leader.

On behalf of the Committee, I would like to thank our shareholders for the strong levels of support that we received at our 2025 AGM and for the engagement received during our consultation in the year.

### Business context for 2025

2025 marks a third successive record year of performance for Rolls-Royce. Since Tufan Erginbilgic joined the organisation on 1 January 2023, over £88bn of shareholder value has been created as at 31 December 2025. Dividends have been reinstated, a £1bn share buyback has been completed in the year, and investments within our business have increased year-on-year. The exceptional share price return of over 1,100% during this period far exceeds the relative performance of any of our industry peers and has been achieved despite a challenging and uncertain external environment in most of our key markets.

Tufan and his leadership team have consistently exceeded the expectations of our stakeholders with bold mid-term guidance issued in 2023 delivered two years early. Guidance has been beaten and raised consistently and our ambitious upgraded mid-term targets (based on a 2028 timeframe) are significantly underpinned by the transformation actions that the leadership team are delivering.

## PERFORMANCE OF ROLLS-ROYCE OVER THE PAST THREE YEARS (UNAUDITED)



### Remuneration decisions related to 2025

The current remuneration policy was approved by shareholders at our AGM in 2025. Key features of the policy and how it operated during 2025 can be found on page 86.

### Salary

As disclosed last year, base pay awards of 5% were delivered to both Tufan Erginbilgic and Helen McCabe effective 1 March 2025. At the time, this was below the median increase for the broader UK population for 2025 of 5.5%.

The Committee undertook a benchmarking process during the summer to inform our new policy proposals and this identified a material gap between the current pay arrangements for Tufan and Helen and competitive levels of pay prevalent within our peer group. Consequently, the Committee decided to make further adjustments to the base pay arrangements from 1 September as a proactive measure to recognise the exceptional performance of the Executive Directors and to mitigate the gap to market. Tufan's base salary was increased by 15.6% and Helen's base salary was increased by 17.7%. These adjustments result in base pay levels aligned to those typical in other FTSE 10 companies. No further increases to base salaries are planned until March 2027.

### Annual incentive outturn in respect of 2025

Unsurprisingly, given the strength of performance, the annual incentive outturns for 2025 are significantly above target, aligning with the wider shareholder experience. The performance measures for 2025 were weighted 80% towards Group performance and 20% towards personal performance. At Group level, free cash flow of £3,270m and operating profit of £3,462m were materially ahead of the original targets and maximum threshold for performance, delivering maximum outturns for these elements. The scorecard included two strategic measures to incentivise quality of financial performance and the importance of delivery to our customers. Underlying operating margin performance of 17.3% was ahead of the level required to trigger maximum payout, reflecting very significant year-on-year improvement. However, the customer metric was behind target, primarily reflecting continued supply chain challenges which management continue to address. As a result, the customer metric vested at 22% of maximum. Other non-financial performance metrics counted for 10% of the 2025 scorecard and related to safety (5%) and people (5%). The safety metric measures a combination of the total reportable injuries (TRI) rate and a safety index, which places focus on proactive risk management and process safety. The outturn was 39% of maximum, reflecting good progress on the safety index scores, counterbalanced by the fact that the TRI rate remained the same as 2024 performance, missing the limit set for 2025. The people outturn, which is linked to colleague engagement assessed via the Our Voices survey, was 100% of maximum, reflecting impressive year-on-year improvement in employee engagement. Twenty percent of the overall weighting is linked to personal performance of the Executive Directors. Page 102 sets out the Committee's assessment of this element of the incentive, which vested above target at 100% of maximum for Tufan Erginbilgic and at 90% of maximum for Helen McCabe.

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 a strong cascade of targets throughout the Group, which means that our wider workforce also benefits from the excellent performance achieved. The positive experience for our shareholders has already been highlighted above. In this context, the Committee is pleased to recognise this excellent performance in an overall outturn of 94% of maximum for Tufan Erginbilgic and 92% of maximum for Helen McCabe. In line with the current policy, as Tufan and Helen already hold share interests in excess of twice their shareholding requirements, all of the 2025 annual incentive will be paid in cash in March 2026.

### Long-term incentive plan (LTIP) outturn

Under the current remuneration policy, we reinstated an LTIP for Executive Directors in May 2024. The performance period for these awards will not conclude until 31 December 2026, when the performance conditions will be assessed. Therefore, there are no standard LTIP awards vesting for the performance period ended 31 December 2025. However, under the terms of the buy-out awards agreed for Helen McCabe upon joining Rolls-Royce, some performance shares were granted in place of performance shares with equivalent vesting terms which were forfeited upon her resignation from her previous employer. The performance conditions for these shares will deliver a vesting level of 100% based upon financial performance over the period 1 January 2023 to 31 December 2025.

### Background to the proposed new remuneration policy

Our current remuneration policy was developed in 2023 and was baselined to a median FTSE 50 position, reflecting the Company's size and context at that time. Minor amendments to the policy were approved by shareholders in May 2025 relating to incentive deferral and shareholding requirements. Following the success of the transformation, as at 31 December 2025, Rolls-Royce had a market capitalisation of £97bn and was the sixth largest company in the FTSE. Our Chief Executive and leadership team have driven an unprecedented step-change in performance, and we believe that aligning our pay arrangements to reflect our current circumstances is a strategic priority to enable continued business outperformance.

The following factors have influenced our proposals:

#### International competition for talent

##### Retention

The Executive Directors have rightly attracted global attention for the pace and success of our ongoing transformation. Our executives are highly sought after in the international talent market and competitive reward arrangements are essential to retaining our key talent. For the avoidance of any doubt, the proposed adjustments to future remuneration arrangements are proactive measures initiated by the Committee and are not reactive measures.

##### Attraction

A large proportion of our talent pool for succession is US-based where the aerospace and defence sector is most heavily represented. We are competing for talent at all levels with global industrial and engineering peers and other major US employers.

Our international talent pool is reflected in our operations. While we are listed in the UK, our businesses are global, with operations, customers and suppliers present in all continents. Less than 15% of our 2025 revenue was derived from customers based in the UK.

When required, it is important that the Board has the optionality to recruit a sufficiently capable Chief Executive with experience in the key North American market, but this would likely come at a significantly higher cost than our current policy permits. For example, as at 1 January 2025, the total target direct compensation for Tufan Erginbilgic was 5% lower than a division leader of General Electric.

### Remuneration benchmarking peer group review

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

### Comparison of Rolls-Royce market capitalisation to the chosen peer group

Market capitalisation	Three-month average share price to 4 Aug 2025 (£m)	Closing share price 4 Aug 2025 (£m)
Rolls-Royce Holdings plc	76,168	91,680
Peer Group upper quartile	116,357	122,688
Peer Group median	80,253	90,159
Peer Group lower quartile	58,355	63,060

Further details of the methodology adopted to select the peer group are included on page 88.

### Proposed new remuneration policy

We have conducted a thorough review of pay competitiveness (base salary, target bonus, expected value of long-term incentives) relative to our updated remuneration peer group and propose a reset of total target direct compensation to better align to the median position. Both our Chief Executive and Chief Financial Officer's current target remuneration is below the lower quartile of our peer group, and significantly below our main aerospace and defence competitors. Consequently, subject to shareholder approval, we propose increases to short and long-term incentive opportunities from 1 January 2026 to better align with market median levels.

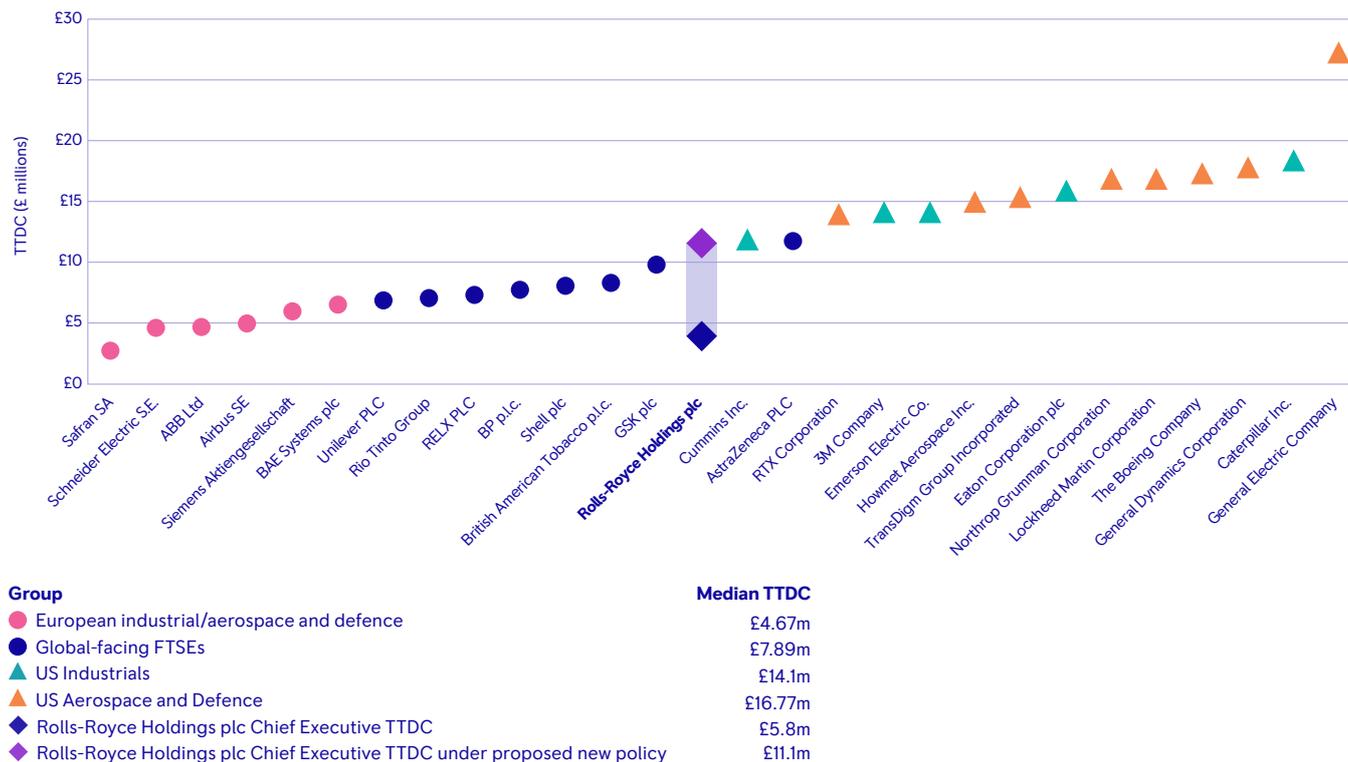
The following table summarises the current and proposed changes to incentive arrangements for our Chief Executive and Chief Financial Officer, which will ensure that total target direct compensation levels are competitive.

### Proposed changes to incentives

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

The table overleaf sets out the impact of these changes relative to the updated remuneration peer group.

CHIEF EXECUTIVE TOTAL TARGET DIRECT COMPENSATION (TTDC) RELATIVE TO PEER GROUP (UNAUDITED)



**Alignment with shareholder interests**

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

No further changes to the remuneration policy are proposed.

**Consultation process and shareholder feedback**

In September, we consulted with our 24 largest shareholders, who collectively hold over 50% of our share capital. We subsequently held 12 shareholder meetings and received nine written responses. We also met with three proxy advisers. We are pleased to confirm that there was consistent and positive support from shareholders, and a strong understanding of our rationale and approach from proxy advisers.

A key consistent theme which emerged from the consultation process was investor expectation that the Committee maintains a disciplined approach to target setting under the new policy. There was widespread support for an increase in performance-related pay opportunity for the executives, but on the basis that remuneration outcomes continue to be underpinned by excellent performance levels. Investors appreciated that the impact of the proposed increases to incentive opportunity under the forward-looking policy would only impact individuals if future performance conditions are satisfied. The following quote from one of our shareholders was one of many received along very similar lines:

**“Thank you very much for reaching out about this proposed change in remuneration policy. I have reviewed the attached letter and we are very supportive of the changes – we have been impressed by the efforts Tufan and Helen have led in transforming the Company and believe these remuneration changes continue to provide strong incentive and alignment to continue to drive strategic progress at the Company.” – Investor**

We deeply appreciate the views of our shareholders and are pleased with the time given and engagement received during this process. We are confident that we received a strong mandate to proceed with the proposed changes outlined above.

A small number of shareholders raised specific questions about the approach taken by the Committee in constructing the peer group, which we have clarified in a written response and in this Remuneration report. We also received questions from some investors about the choice of performance metrics in the incentive plans. We have reviewed the metrics to apply in 2026 onwards and have set out our rationale in this Remuneration report. We did consider the choice of peer group to apply for the measurement of relative total shareholder return (TSR), which is a key metric within the long-term incentive plan (LTIP). Specifically, we considered if it would be appropriate to adopt the same remuneration peer group for TSR purposes but have decided to treat these two peer groups separately. The TSR peer group is made up of organisations with whom Rolls-Royce competes for capital as opposed to talent. Also, the indices used for TSR measurement benefit from being dynamic to reflect regular movement of companies entering and leaving the indices for a range of reasons, updated on a daily basis. This level of dynamism is less relevant when benchmarking executive remuneration.

## Looking ahead – summary implementation of the remuneration policy in 2026

### 2026 Annual incentive targets

The 2026 annual incentive measures and weightings will be consistent with 2025 and continue to reflect our strategic priorities. The measures are: 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 is the number one priority for all of our people.

### 2026 Long-term incentive plan (LTIP) targets

The targets underpinning the 2026 LTIP are included in the Remuneration report. Subject to shareholder approval, the LTIP award will be 750% of salary for the Chief Executive and 450% of salary for the Chief Financial Officer. Following the three-year performance period ending 31 December 2028, any vesting will be subject to a mandatory two-year holding period. The LTIP measures have been reviewed for 2026 and will be weighted equally between: free cash flow (33.33%); operating profit margin (33.33%); and relative TSR (33.33%) assessed in equal parts against the FTSE 100 and the S&P Global Industrials index constituents.

The Committee is mindful that free cash flow and operating profit margin metrics feature in both the annual incentive and the LTIP and believes that this is appropriate to incentivise consistency and quality of financial performance over the medium term.

The 2025 LTIP performance metrics included a 10% weighting against Scope 1 + 2 emission targets and the performance conditions of that plan will mature on 31 December 2027. We remain sensitive to our environmental sustainability responsibilities and may consider reinstating an emissions target into the LTIP from that point to cover the period from 1 January 2028 to 31 December 2030, aligned with the timeframe of our commitment to reduce Scope 1 + 2 emissions by 46% (against a 2019 baseline).

### Wider workforce context

In 2025, our new share plan offering to the wider workforce vested for a large proportion of our people. We awarded all global colleagues 150 free shares on 12 September 2024 when our share price was £4.93. These shares vested in all countries outside of the UK on 12 September 2025, having benefited from a return of approximately 130%. For colleagues in the UK, these shares will vest in 2027.

Your Shares: Gifted has been followed by Your Shares: Matched, a purchase plan where with every share purchased by the participant, Rolls-Royce awards a matching share for free, up to a maximum investment each month. This plan was launched in phases in 2025 in Germany, UK, US, Canada, China, Singapore, Italy and India, enabling 97% of our global workforce to participate. We strongly believe in the importance of employee share ownership and our colleagues have experienced first-hand the benefits of the significant share price growth seen in recent years – driven by our transformation. The launch of Your Shares: Matched has been incredibly successful, with 67% of colleagues in Germany, 72% in the UK, 50% in the US, 77% in China and 63% in Canada choosing to participate. This level of take-up is very high by any external standards. It is driven by our colleagues' belief in our future, and active leadership engagement with colleagues and their representatives on the value of employee share ownership.

In 2025, the median base pay increase in the UK was 5.5%. 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 an increase of 4.1% in 2026.

In 2025, incentive levels for all colleagues were reviewed to ensure that they are attractive and competitive for our circumstances. Positive changes to on-target and maximum incentive opportunities are planned for the majority of the global workforce from 2026.

### Chair and Non-Executive Director fees

In parallel with the benchmarking activity undertaken during the year for the Executive Directors, the Committee reviewed the fees paid to the Chair. The Chair, together with the Executive Directors, also reviewed the fees paid to the Non-Executive Directors.

Recognising the material change in market position of Rolls-Royce, it was agreed to adjust fees to better align with levels typical of those for a FTSE 10 organisation. The adjustments approved are set out on page 108 and took effect from 1 September 2025. A further adjustment to NED fees was made to take effect from 1 March 2026.

### Remuneration Committee advisers

During 2025, 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 £238,243 (2024: £99,850). 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 2025, 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.

### Evaluating the work of the Committee

The work of the Committee in 2025 was rated highly and I would like to thank my colleagues on the Committee for their support during 2025.

### Summary

The Committee is delighted with the progress that has been made on the transformation programme and the impact that this is having for shareholders and all stakeholders. We are particularly proud of the level of alignment we have managed to achieve between shareholders, management and the wider workforce through our share plans and we are excited and determined to continue to play a key role in embedding a distinctive performance culture within Rolls-Royce.

We welcome any feedback on this report and look forward to receiving your support for our new Remuneration Policy and Directors' Remuneration report at our AGM on 30 April 2026.

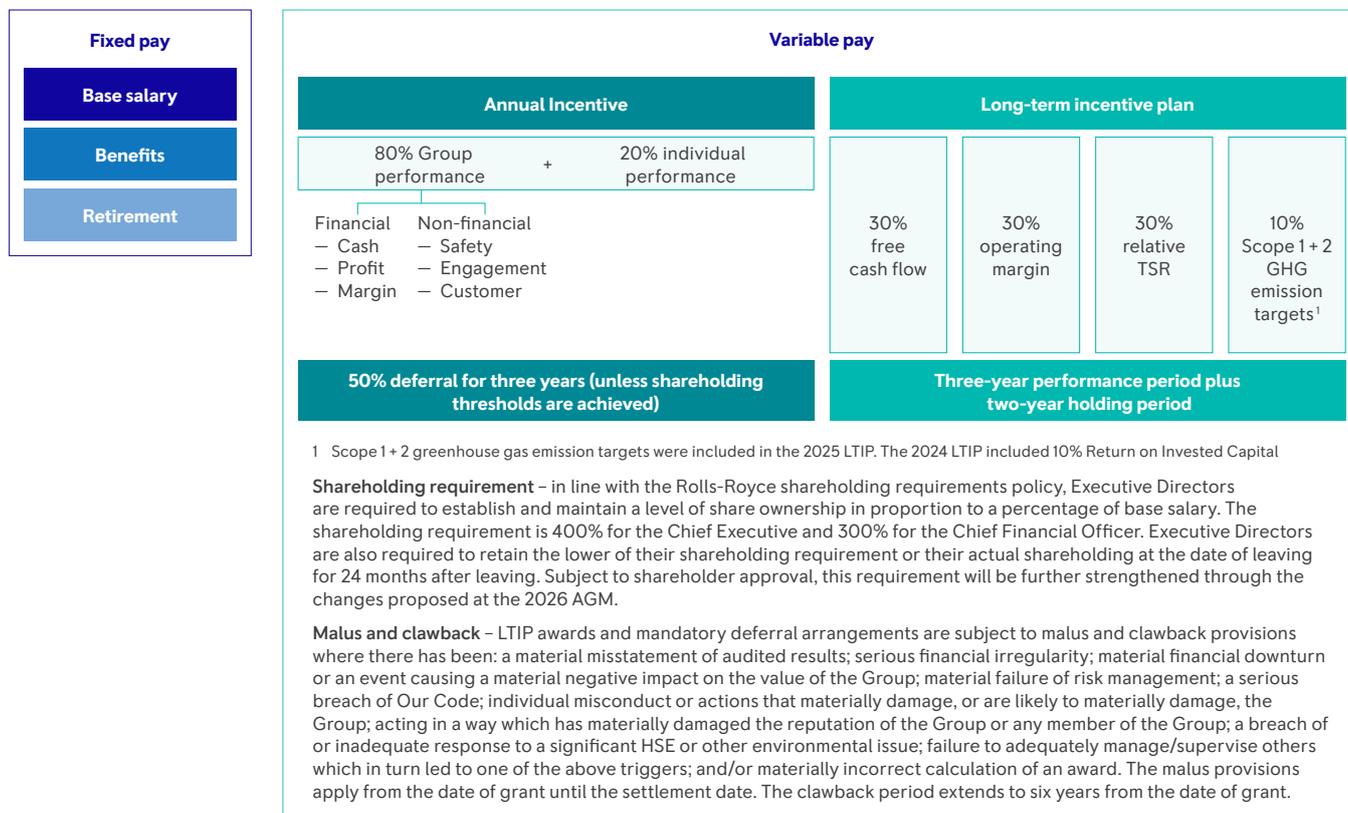
### Lord Jitesh Gadhia

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 1 May 2025 (see page 109). The full policy can be found in the corporate governance section at [www.rolls-royce.com](http://www.rolls-royce.com)

### Summary of our current remuneration policy



### Executive Directors: Summary policy and implementation table 2025

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 2025	<p>A salary increase of 5% was awarded to Tufan Erginbilgic and to Helen McCabe effective 1 March 2025. This increase was below the median increase for the broader UK population for 2025 of 5.5%.</p> <p>Following an updated benchmarking process to support the proposed new policy, a further adjustment was made for both Tufan Erginbilgic (15.6%) and Helen McCabe (17.7%) on 1 September 2025. No further adjustments are planned before 1 March 2027.</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 2025	No changes to benefits.

**Executive Directors: Summary policy and implementation table 2025 continued**

<b>Retirement</b>	
<b>Purpose and link to strategy</b>	To attract and retain individuals of the right calibre to develop and execute the business strategy.
<b>Key features of current policy</b>	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.  The maximum contribution is 12% of base salary, in line with the rate offered to the wider UK workforce.
<b>Implementation in 2025</b>	Allowance of 12% of base salary, in line with the rate for the wider UK workforce.
<b>Annual incentive</b>	
<b>Purpose and link to strategy</b>	We reward annual performance against stretching financial, strategic and individual targets aligned to delivery of the Group's strategy.
<b>Key features of current policy</b>	An annual award which may be based on a combination of financial, operational and individual performance measures aligned to the Group's strategy. At least half the annual incentive awarded in any year will be deferred into shares for Executive Directors who have not achieved the shareholding guideline. If the Executive Director has exceeded their in-employment shareholding guideline, but has not achieved a level of double the shareholding guideline, the level of annual incentive deferral into shares reduces from 50% to 25% of salary. Should the Executive Director achieve double the shareholding guideline then the annual incentive would pay out fully in cash. The deferral period will normally be for a period of three years. The Committee may apply discretion to adjust any formulaic outturn. Malus and clawback provisions apply.  Maximum annual opportunity: 200% of base salary.
<b>Implementation in 2025</b>	An outturn of 189% of target (94% of maximum) for Tufan Erginbilgic and 185% of target (92% of maximum) for Helen McCabe.
<b>Long-term incentive plan</b>	
<b>Purpose and link to strategy</b>	We incentivise the execution of strategy, driving long-term value creation and sustainable long-term returns to shareholders.
<b>Key features of current policy</b>	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 may apply discretion to adjust any formulaic outturn. Malus and clawback provisions apply.  The maximum long-term incentive award for Executive Directors is 375% of base salary.
<b>Implementation in 2025</b>	Awards of 375% and 275% of base salary were made to the Chief Executive and Chief Financial Officer respectively, on 26 March 2025 for the performance period ending 31 December 2027. If minimum performance levels are achieved the LTIP will vest at 20%. Further details of the performance metrics can be found on page 100 of the 2024 Annual Report.  No standard LTIP awards vested during the year. However, 850,760 shares awarded to Helen McCabe under the terms of the buyout of awards forfeited from her previous employer vested in 2025. Full details of the buyout were included in the 2023 Annual Report.
<b>Shareholding requirement</b>	
<b>Purpose and link to strategy</b>	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.
<b>Key features of current policy</b>	The shareholding requirement is 400% of base salary for Tufan Erginbilgic and 300% of base salary for Helen McCabe.  Executive Directors are required to retain the lower of their shareholding requirement or their actual shareholding at the date of leaving for 24 months.
<b>Implementation in 2025</b>	Shareholdings as a percentage of salary as at 31 December 2025 of the Chief Executive and Chief Financial Officer were 3,729% and 1,179% respectively.

The information above reflects the current policy and does not include the proposed changes to incentive levels and shareholding requirements which will be subject to shareholder approval on 30 April 2026.

**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 be further strengthened if shareholders approve the proposed amendments to the current policy at the 2026 AGM (see from page 88).

# Remuneration policy

## Introduction

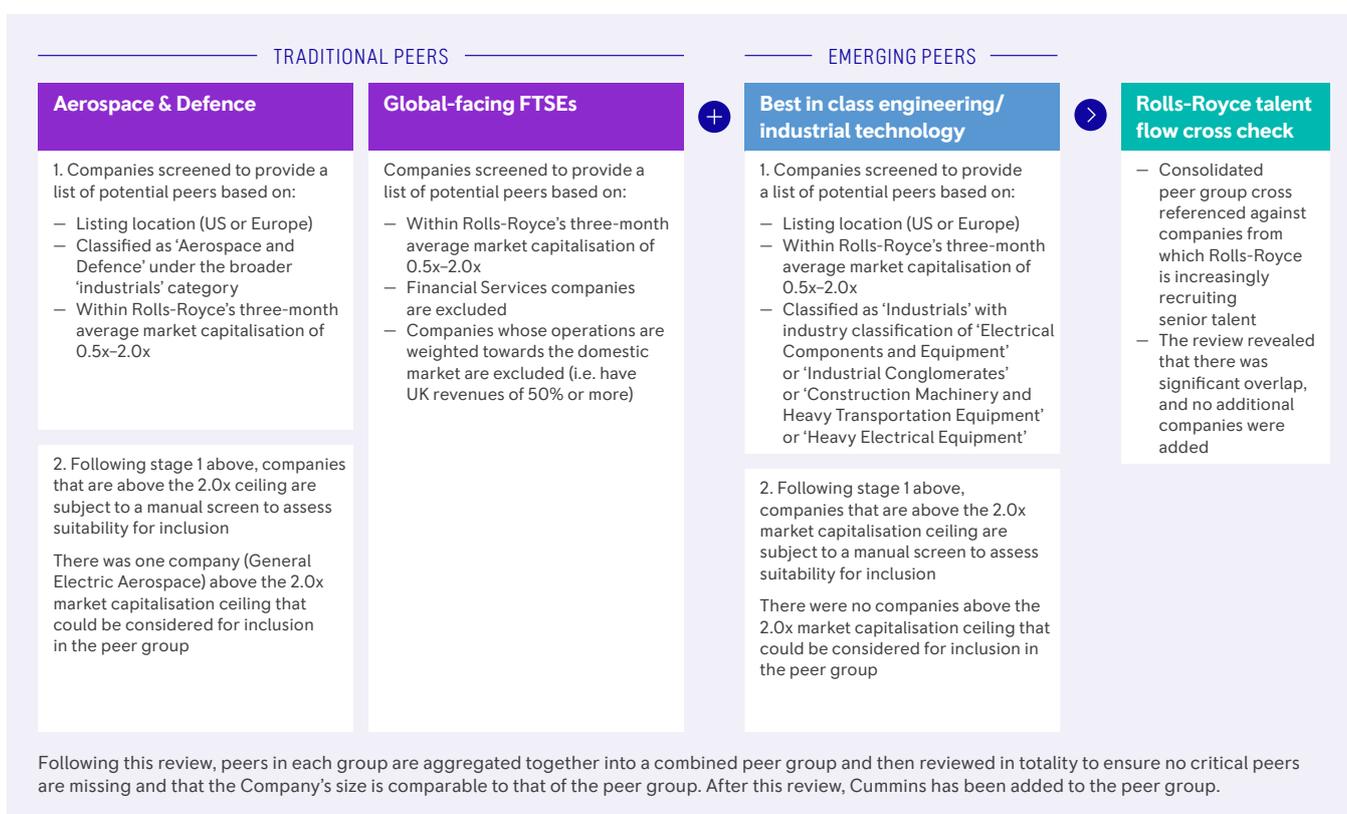
This policy will take effect immediately after the AGM to be held on 30 April 2026, subject to shareholder approval.

## Background to the proposed new remuneration policy

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

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

## Peer group methodology in detail



## Resulting peer group

Aerospace & Defence	Global-facing FTSEs	Best-in-class engineering/ industrial technology
<ul style="list-style-type: none"> <li>– Airbus</li> <li>– BAE Systems</li> <li>– Boeing</li> <li>– General Dynamics</li> <li>– General Electric<sup>1</sup></li> <li>– Howmet Aerospace</li> <li>– Lockheed Martin</li> <li>– Northrop Grumman</li> <li>– RTX</li> <li>– Safran</li> <li>– TransDigm Group</li> </ul>	<ul style="list-style-type: none"> <li>– AstraZeneca</li> <li>– BP</li> <li>– British American Tobacco</li> <li>– GSK</li> <li>– RELX</li> <li>– Rio Tinto</li> <li>– Shell</li> <li>– Unilever</li> </ul>	<ul style="list-style-type: none"> <li>– 3M</li> <li>– ABB</li> <li>– Caterpillar</li> <li>– Cummins<sup>2</sup></li> <li>– Eaton</li> <li>– Emerson Electric</li> <li>– Schneider Electric</li> <li>– Siemens</li> </ul>

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

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

## Proposed changes to policy design

### 1. Incentive on-target and maximum levels

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

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

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

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

1 Figures shown before changes are based on salaries in place as at 1 March 2025

2 Proposed changes include base pay adjustments effective from 1 September 2025

3 Long-term incentive awards are delivered as grants of performance shares, with three-year performance conditions plus a two-year deferral period (i.e. five years in total). The target LTI percentages shown in the tables above assume LTIP grants of performance shares vest at 60% of maximum

4 Target total direct compensation includes on-target levels of incentive payments. The Committee has also considered the relativity of the proposed changes assuming maximum potential outturns and the relative positioning of the proposed changes to the peer group would be broadly consistent to the on-target compa-ratio

### 2. Shareholding requirement – aligning with shareholder interests

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

There are no further changes proposed to the policy.

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

### Consideration of shareholder feedback

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

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

**Remuneration policy table**

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

Base salary	
<b>Purpose and link to strategy</b>	We provide competitive salaries to attract and retain individuals of the highest calibre to develop and execute the business strategy.
<b>Operation</b>	<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"> <li>– size and scope of the role;</li> <li>– skills and experience of the individual;</li> <li>– market competitiveness of the broader remuneration package;</li> <li>– performance of the Group and individual;</li> <li>– wider market and economic conditions; and</li> <li>– increases made across the Group.</li> </ul> <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>
<b>Maximum opportunity</b>	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.
<b>Performance measures</b>	Not applicable, although overall individual and business performance is considered when setting and reviewing base salary.
Benefits	
<b>Purpose and link to strategy</b>	We provide competitive benefits suitable to attract and retain individuals of the right calibre to develop and execute the business strategy and to support their wellbeing.
<b>Operation</b>	<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>
<b>Maximum opportunity</b>	<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>
<b>Performance measures</b>	Not applicable.

**Remuneration policy table continued**

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

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

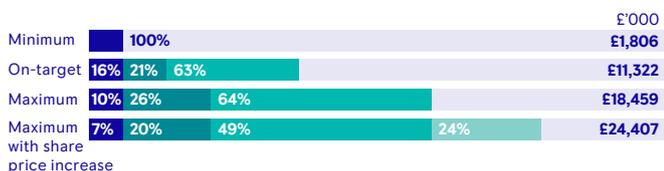
**Remuneration policy table continued**

Long-term incentive plan	
<b>Purpose and link to strategy</b>	We incentivise the execution of strategy and seek to drive long-term value creation and alignment with long-term returns to shareholders.
<b>Operation</b>	<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 and subject to 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 cause the Committee to determine that performance conditions are no longer appropriate. The performance targets will be at least as challenging as the ones originally set.</p> <p>The Committee has discretion to permit a dividend equivalent amount to accrue on shares during the holding period under the LTIP.</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> <p>Malus and clawback apply for six years from the date of grant (see page 94).</p>
<b>Maximum opportunity</b>	The maximum long-term incentive award for Executive Directors is 750% of base salary.
<b>Performance measures</b>	<p>The Committee determines performance measures and weightings each year and will ensure that the targets are stretching and support value creation for shareholders while remaining motivational for management. The precise measures and weightings will be determined by the Committee on an annual basis and will depend on the strategic focus of the Group year-to-year. A minimum of 90% of measures will be financial.</p> <p>Measures for the 2025 award included: free cash flow (30%); operating margin percentage (30%); relative total shareholder return (30%); and Scope 1 + 2 greenhouse gas emission targets (10%). For 2026, the measures will include a one-third weighting to each of: free cash flow, operating margin and relative total shareholder return. For each performance element, achievement of the threshold performance level will result in no more than 20% of the maximum award paying out. For achievement of the maximum performance level, 100% of the maximum pays out. No amount is payable if threshold levels of performance are not achieved.</p> <p>The Committee will review the measures each year, and will consider whether it is appropriate to change the measures to ensure continued alignment to strategic priorities.</p>
Share ownership	
<b>Purpose and link to strategy</b>	Ensures alignment with shareholders' interests.
<b>Operation</b>	<p>Executive Directors are required to build a holding of share interests equivalent in value to a percentage of their base salary within five years from the date they become subject to the Policy. From 2026, the shareholding requirement will increase to reflect the LTIP grant level, which for the Chief Executive is 750% of base salary, and for the Chief Financial Officer and any other Executive Director is 450% of base salary. Where requirements are not met, Executive Directors must retain at least one half of after-tax shares released from the deferred bonus arrangements and the LTIP until this requirement is met.</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>

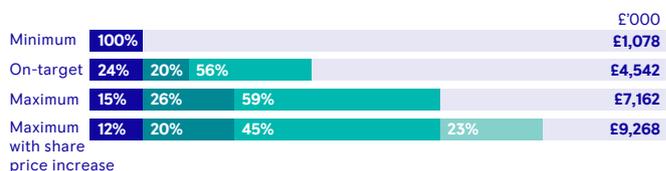
**Remuneration policy – worked examples for 2026**

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

TUFAN ERGINBILGIC  
CHIEF EXECUTIVE



HELEN MCCABE  
CHIEF FINANCIAL OFFICER



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

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

**Alignment with shareholders**

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



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

**Notes to the Remuneration policy table**

**Performance measure selection and setting**

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

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

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

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

### Malus and clawback provisions

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

- a material misstatement of audited results;
- serious financial irregularity;
- material financial downturn or an event causing a material negative impact on the value of the Group;
- material failure of risk management;
- a serious breach of Our Code;
- individual misconduct or actions that materially damage, or are likely to materially damage, the Group;
- acting in a way which has materially damaged the reputation of the Group or any member of the Group;
- a breach of or inadequate response to a significant HSE or other environmental issue;
- materially incorrect calculation of an award; and/or
- failure to adequately manage/supervise others which in turn led to one of the above triggers and/or materially incorrect calculation of an award.

### Policy on new appointments

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

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

- if such remuneration was in the form of shares, compensation will be in the Company's shares;
- if remuneration was subject to achievement of performance conditions, compensation will, where possible, be subject to performance (either Rolls-Royce performance conditions or actual/forecast performance outturns from the previous company); and
- the timing of any compensation will, where practicable, match the vesting schedule of the remuneration forfeited.

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

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

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

### Wider workforce considerations

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

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

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

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

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

### Share plans

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

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

### Service contracts

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

<b>Contract duration</b>	No fixed term.
<b>Notice period</b>	12 months' notice both to and from the Executive Director.
<b>Payment in lieu of notice (PILON)</b>	<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 their 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>
<b>Change of control</b>	The service agreements for Executive Directors do not contain change of control provisions. However, if there is a change of control of the Company or other specified Company events, the relevant plan rules contain details on the impact for awards. In most cases, this is likely to result in the awards vesting early but subject to still meeting any applicable performance conditions, as decided by the Committee, which may have regard to projected performance over the whole period, and applying time prorating. Alternatively, awards may be exchanged for new awards over shares in the acquiring company in some circumstances.
<b>Other entitlements on termination</b>	<p>There is no contractual entitlement to notice or any other payments in respect of the period after termination of employment if the individual is summarily dismissed.</p> <p>Please see payments for loss of office over the page for a summary of other entitlements which may be due upon termination and which relate to remuneration.</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.

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

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

### Legacy commitments

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

### Minor amendments

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

### Non-Executive Directors' remuneration

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

Fees	
Purpose and link to strategy	To reward individuals for fulfilling their role and attract individuals of the skills and calibre required.
Operation	<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, Employee Champions and the Rolls-Royce North America Board director receive an additional fee for these additional duties. Non-Executive Director fees may be paid in either cash or shares or a combination of both.</p> <p>Non-Executive Directors are not eligible to participate in the annual incentive 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 in fulfilling the duties of their role.
Operation	Reimbursement for expenses that may include, but are not limited to, travel, hotel and subsistence incurred when attending meetings. The Group may provide support with tax matters for Non-Executive Directors based outside the UK. The Chair may have occasional use of chauffeur services. The Group may pay tax on benefits provided to Non-Executive Directors.
Maximum opportunity	Not applicable.
Performance measures	Not applicable.

### Implementation of remuneration policy for 2026

<b>Base salary</b>	The salaries for the Chief Executive and the Chief Financial Officer were reviewed in September 2025. No increase is proposed in 2026. Base salaries will next be reviewed in March 2027.
<b>Benefits</b>	There will be no change to our approach to benefits in 2026, which includes car allowance, financial planning assistance, insurances and other benefits.
<b>Retirement</b>	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.
<b>Annual incentive</b>	In line with the proposed policy, the annual incentive for 2026 will be based on 80% Group performance and 20% individual performance, with a maximum opportunity for Tufan Erginbilgic of 300% of salary and Helen McCabe of 200% of salary. At least half of the annual incentive awarded in any year will be deferred into shares which will vest after three years for Executive Directors who have not achieved the shareholding guideline.

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

The metrics and associated weightings will be:

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

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

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

**Implementation of remuneration policy for 2026 continued**

**Long-term incentive plan**

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

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

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

	2024	2025	2026	2027	2028
2024 LTIP	30% free cash flow 30% operating margin 30% relative TSR 10% return on capital				
2025 LTIP		30% free cash flow 30% operating margin 30% relative TSR 10% Scope 1 + 2 emissions			
2026 LTIP			33.3% free cash flow 33.3% operating margin 33.3% relative TSR		

**2026 metrics**

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

<sup>1</sup> 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.