



Rolls-Royce®

RULES

OF THE

ROLLS-ROYCE GLOBAL EMPLOYEE SHARE PURCHASE PLAN

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Rolls-Royce Global Employee Share Purchase Plan

1. Meaning of words used

1.1 General

In these rules:

“Award” means a Free Share Award, a right to purchase Investment Shares or a Matching Share Award;

“Award Date” means the date on which an Award is granted;

“Business Day” means a day on which the London Stock Exchange (or, if the Committee decides, any other stock exchange on which the Shares are traded) is open for the transaction of business;

“Committee” means the remuneration committee of the board of directors of the Company or a committee duly authorised by it. For the purposes of rules 12 (Takeovers and restructurings) and 13 (Exchange of Awards), it means those persons who were members of the Committee immediately before the relevant event;

“Company” means Rolls-Royce Holdings plc with registered number 07524813;

“Contribution” means a deduction from a Participant’s salary (or other agreed method of payment) for the purposes of acquiring Investment Shares;

“Control” means the power of a person to secure by means of the holding of shares or the possession of voting power or by virtue of any powers conferred by any articles of association (or other document), that the affairs of a body corporate are conducted in accordance with the wishes of that person;

“Dealing Restrictions” means any internal or external restrictions on dealings or transactions in securities;

“Early Leaver Vesting Date” means such date or dates as may be specified by the Committee on which Awards held by Participants who Leave may Vest, ahead of the relevant Expected Vesting Date;

“Employee” means any employee (including an employed executive director) of any Member of the Group and, for the purposes of rule 16 (Terms of employment), it includes a former employee;

“Expected Vesting Date” means the date the Committee decides under rules 4.3 (Terms of Free Share Awards) or 6.3 (Terms of Matching Share Awards) which, for the avoidance of doubt, in the case of Free Share Awards may be a fixed date or date of occurrence of a particular event or set of circumstances;

“Free Share Award” means a conditional right to acquire Shares granted under the Plan;

“Group” means the Company and any company that is a subsidiary of the Company (within the meaning of section 1159 of the Companies Act 2006) and, for the purposes of rule 10 (Leaving), it includes associated companies nominated for this purpose by the Committee, and **“Member of the Group”** will be understood accordingly;

“Investment Shares” means Shares bought on behalf of a Participant in accordance with the Plan;

“Lapse” means:

- (i) in relation to Investment Shares, the Participant no longer being entitled to purchase further Investment Shares in any Purchase Period; and
- (ii) in relation to a Free Share Award or a Matching Share Award, the Participant losing the right to receive some or all of the Shares or cash comprised in the Award;

“Leave” means ceasing to be an employee (and ceasing to be a director) of all Members of the Group and **“Leaving”** and **“Left”** will be understood accordingly;

“Linked Investment Shares” means those Investment Shares purchased up to any applicable Matching Limit as provided in rule 6.4 (Matching Ratio and Matching Limit);

“Market Value” on any day means the market value of a Share (for the purposes of calculating entitlements under the Plan) as determined using a calculation method decided by the Committee;

“Matching Limit” means the limit the Committee decides under rule 6.3 (Terms of Matching Share Awards);

“Matching Ratio” means the ratio the Committee decides under rule 6.3 (Terms of Matching Share Awards);

“Matching Share Award” means a conditional right to acquire Shares granted under the Plan in connection with the purchase of Investment Shares during a specified Purchase Period;

“Nominee” means the nominee appointed by the Committee to hold Plan Shares on behalf of Participants for the purposes of the Plan, including the use of any trust established pursuant to a trust deed entered into between the Company and the nominee to facilitate these services;

“Other Conditions” means any conditions imposed under rule 4.5 (Other Conditions);

“Participant” means a person who has enrolled in the Plan for the purchase of Investment Shares or who is holding or has held an Award or, after death, that person’s personal representatives;

“Performance Conditions” means any performance conditions imposed under rule 4.4 (Performance Conditions);

“Performance Period” means the period in respect of which any Performance Conditions are to be satisfied;

“Plan” means the plan constituted by these rules and its schedules known as the Rolls-Royce Global Employee Share Purchase Plan, as amended from time to time;

“Plan Shares” means Shares acquired by a Participant:

- (i) as Investment Shares;
- (ii) as a consequence of the Vesting of a Free Share Award or Matching Share Award; and
- (iii) in accordance with rule 9.1 (Shareholder distributions);

“Purchase Date” means each date on which Investment Shares are purchased on behalf of a Participant;

“Purchase Period” means the period, determined by the Committee, during which Investment Shares will be purchased;

“Share” means a fully paid ordinary share in the capital of the Company or, where relevant, an American depositary receipt or American depositary share representing one or more fully paid ordinary shares in the capital of the Company;

“Tax” means any tax and social security charges (and/or any similar charges), wherever arising, in respect of a Participant’s Award or otherwise arising in connection with that Participant’s participation in the Plan; and

“Vesting” means, in relation to a Free Share Award or a Matching Share Award, the Participant becoming entitled to the Shares subject to the Award, and **“Vest”** and **“Vested”** will be understood accordingly.

1.2 Interpretation

In this Plan, the singular includes the plural and the plural includes the singular. References to any enactment or statutory requirement will be understood as references to that enactment or requirement as amended or re-enacted and they include any subordinate legislation made under it.

2. Grant of Awards – general

2.1 Eligibility

The Committee may only grant an Award to someone who is an Employee at the Award Date (unless otherwise permitted pursuant to these rules) or, if the Committee so decides, at any earlier date on which eligibility for an Award is assessed.

The Committee will decide which Employees will be granted Free Share Awards, Matching Share Awards and/or invited to apply for Investment Shares and can set such eligibility criteria as it considers appropriate from time to time.

2.2 Award type

The Committee may grant:

- 2.2.1 Free Share Awards;
- 2.2.2 rights to purchase Investment Shares; and
- 2.2.3 for those who have enrolled to purchase Investment Shares, Matching Share Awards.

2.3 No payment

A Participant is not required to pay for the grant of any Award.

2.4 Administrative errors

If the Committee grants an Award:

- 2.4.1 in error, it will be deemed never to have been granted and/or will immediately Lapse; and/or
- 2.4.2 which is inconsistent with any provisions in this Plan, it will take effect only to the extent permissible under the Plan and will otherwise be deemed never to have been granted and/or will immediately Lapse.

2.5 Nominee

Plan Shares will be held by the Nominee on behalf of the Participants. The Committee may make the grant of Awards subject to the condition that Participants enter into a Nominee agreement with the Nominee.

Plan Shares and any cash held by the Nominee on behalf of Participants will be subject to the terms and conditions of the Nominee agreement.

3. Plan limits

3.1 Dilution

An Award may not be made which would cause:

- 3.1.1 the total number of Shares that have been Allocated in the previous 10 years (or could still be Allocated by virtue of rights granted) under the Plan and under any other employee share plans operated by any Member of the Group to exceed 10% of the ordinary share capital of the Company in issue; and
- 3.1.2 the total number of Shares that have been Allocated in the previous 10 years (or could still be Allocated by virtue of rights granted) under any discretionary employee share plans operated by any Member of the Group to exceed 5% of the ordinary share capital of the Company in issue.

3.2 Calculating the number of Shares

For the purposes of this rule 3 (Plan limits):

- 3.2.1 Shares are considered to be “**Allocated**” when allotted and issued as new shares, or transferred from treasury. However, if relevant institutional investor guidelines cease to require treasury shares to be taken into account for these purposes, then treasury Shares will not count towards these Share limits;
- 3.2.2 employee share plans are considered to be “**discretionary**” when there is discretion as to who can receive awards under them (as opposed to granting awards to, or inviting, everyone that meets the eligibility criteria); and
- 3.2.3 where there has been a variation in the share capital of the Company as described in rule 14 (Variations in share capital), the number of Shares taken into account for the purposes of the Share limits will be adjusted as the Committee considers appropriate to take account of the variation.

4. Free Share Awards

4.1 Meaning of “Award”

For the purposes of this rule 4 (Free Share Awards), references to “**Awards**” mean Free Share Awards.

4.2 Grant of Free Share Awards

If the Committee grants Awards, they will be granted by deed or in any other way which ensures the Awards are contractually enforceable.

The Committee may only grant Awards within 42 days starting on any of the following:

- 4.2.1 the day on which the Company’s shareholders approve the Plan;
- 4.2.2 the Business Day following the day on which the Company’s results are announced for any period;

- 4.2.3 any day on which changes to the legislation or regulations affecting share plans are announced or take effect;
- 4.2.4 any day on which the Committee resolves that exceptional circumstances exist which justify the grant of Awards; and
- 4.2.5 the day Dealing Restrictions, which prevented the granting of Awards during the periods specified above, are lifted.

The Committee may require Participants to accept Awards or specific terms and may provide for Awards to Lapse if they are not accepted within the time specified.

The Committee may allow Participants to disclaim all or part of an Award within a specified period. If an Award is disclaimed, it will be deemed never to have been granted.

4.3 Terms of Free Share Awards

Awards are subject to the rules of the Plan.

The Committee will approve the terms of an Award, including:

- 4.3.1 the Award Date;
- 4.3.2 the number of Shares subject to the Award or the basis for calculating the number of Shares;
- 4.3.3 the Expected Vesting Date;
- 4.3.4 if the Award is subject to any Performance Conditions, details of those Performance Conditions and the applicable Performance Period;
- 4.3.5 details of any Other Conditions; and
- 4.3.6 whether the Participant may be required to enter into any election for a particular tax and/or social security treatment in respect of an Award and/or any Shares and any consequences of failing to make the election.

Participants will be notified of the terms of their Awards as soon as practicable.

4.4 Performance Conditions

The Committee may make Vesting of an Award conditional on the satisfaction of one or more Performance Conditions.

The Committee may change a Performance Condition in accordance with its terms or if anything happens that causes the Committee to reasonably consider it appropriate to do so. A changed Performance Condition will not be materially less or more difficult to satisfy than the original condition was intended to be at the Award Date.

The Committee will notify any relevant Participant as soon as practicable after any change.

4.5 Other Conditions

The Committee may impose other conditions on Vesting of an Award. The Committee may change those other conditions in accordance with their terms or if anything happens which causes the Committee to reasonably consider it appropriate to do so.

The Committee will notify any relevant Participant as soon as practicable after any change.

5. Investment Shares

5.1 Invitations, enrolment and applications

If the Committee proposes to offer Investment Shares, it will invite Employees to enrol in the Plan by submitting an application. The Committee may invite Employees to enrol in the Plan at any time, subject to any applicable Dealing Restrictions.

Employees can enrol at any time when the Plan is open for applications, subject to any applicable Dealing Restrictions.

By enrolling in the Plan, Participants will:

- 5.1.1 accept the terms of the Plan;
- 5.1.2 apply for Investment Shares on the terms specified pursuant to rule 5.3 (Terms of Investment Shares);
- 5.1.3 specify the amount of each Contribution; and
- 5.1.4 authorise Contributions to be deducted from their salary (or agree to another method of payment agreed by the Committee).

5.2 Evergreen status

Unless the Committee decides otherwise, when an Employee enrolls in the Plan, this will be on an evergreen basis, such that the Employee will become a Participant for the Purchase Period which is current at the time of enrolment and all future Purchase Periods, until they withdraw in accordance with the Plan.

The Committee may decide at any time that applications will cease to apply on an evergreen basis. This will not have any impact on Purchase Periods already in existence. The Committee will notify all affected Participants as soon as practicable.

Where the Plan operates on an evergreen basis, the terms for each new Purchase Period will apply on the same basis as for the most recent Purchase Period (with any dates being advanced as appropriate by reference to the new Purchase Period), unless the Committee decides otherwise in which case the updated terms will be communicated to Participants accordingly.

5.3 Terms of Investment Shares

The rights to purchase Investment Shares are subject to the rules of the Plan.

The Committee will approve the terms on which Investment Shares are to be purchased, which will be set out in the terms communicated to Employees in connection with enrolment, including:

- 5.3.1 the timeframe in which Employees may enrol in the Plan;
- 5.3.2 the Purchase Period and, where appropriate, the interval at which future Purchase Periods will occur;
- 5.3.3 the number and frequency of Contributions to be made in the relevant Purchase Period;
- 5.3.4 the date on which Contributions will start;
- 5.3.5 the maximum and minimum amount for each Contribution;
- 5.3.6 any limit on Investment Shares under rule 5.4 (Limit on Investment Shares);

- 5.3.7 the Purchase Date(s) or the basis on which the Purchase Date(s) will be determined;
- 5.3.8 whether Matching Share Awards will be offered (in which case the terms set out in rule 6.3 (Terms of Matching Share Awards) will also be specified); and
- 5.3.9 whether the Participant may be required to enter into any election for a particular tax and/or social security treatment in respect of the purchase of Investment Shares and any consequences of failing to make it.

5.4 Limit on Investment Shares

The Committee may limit the number or value of Investment Shares which may be bought for any Purchase Period.

If the Company receives applications for Investment Shares that exceed the limit, or it becomes clear once Contributions have been made that the limit will be exceeded, then the Committee has discretion to accept the applications as made, or to scale down applications. If scaling down occurs, the number of Shares and/or Contributions for each Participant will be reduced as determined by the Committee. Each Participant will be notified of the change, each application will be deemed to be modified or withdrawn accordingly and any excess Contributions already made will be returned to the Participant.

5.5 Holding Contributions

Contributions will be held in a non-interest bearing account until they are used to purchase Investment Shares on the Participant's behalf or are returned to the Participant.

5.6 Purchase of Investment Shares

On each Purchase Date, the Committee will arrange for the aggregate amount of Contributions made by the Participants to be applied in purchasing Investment Shares on behalf of Participants.

The number of Shares that will be purchased on behalf of each Participant will be determined by reference to that Participant's Contributions and the Market Value of a Share on the Purchase Date.

The Committee will carry forward and add to the next Contribution any excess not used to purchase Shares on any Purchase Date. Alternatively, the Committee may pay the excess to the Participant as soon as practicable or may apply the excess in purchasing a fractional Share or fractional entitlement to Shares.

5.7 Varying Contributions

The Committee may, at any time, change the maximum and minimum amount of each Contribution not yet made for any Purchase Period and notify affected Participants accordingly. Following such notification, any Contribution greater than the new maximum will be deemed to be modified accordingly. Any Contribution less than the new minimum will only be modified where a Participant has agreed to such change. The Committee may permit Participants to vary the amount of their Contributions by giving notice to the Company. Any variation (within the maximum and minimum specified by the Committee) will take effect within such timeframe as is communicated to Participants or as soon as practicable following receipt of the notice.

5.8 Stopping Contributions

A Participant may, at any time, stop making further Contributions by giving notice to the Company. The notice will take effect within such timeframe as is communicated to Participants or as soon as practicable following receipt of the notice.

The Committee may, at any time, decide that no further Contributions will be taken for a Purchase Period and will give notice to affected Participants. The notice will take effect within such timeframe as is communicated to Participants or as soon as practicable following receipt of the notice. No new Purchase Periods will start following the notice until the Company so decides.

Contributions already made prior to the notice taking effect will be used to purchase Investment Shares unless the Committee decides otherwise.

The Committee may permit the Participant to restart Contributions. Missed Contributions may not be made up, unless the Committee decides otherwise.

5.9 Contributions in error

If the amount of any Contribution made is in error, any Member of the Group and/or the Nominee may take such action as the Committee may direct to correct the error.

5.10 Dealing Restrictions

If purchasing Investment Shares would be prohibited by Dealing Restrictions, the purchase will not occur until after the Dealing Restrictions cease to apply, unless the Committee decides otherwise.

A Participant should not take any other action referred to in this rule 5 (Investment Shares), including stopping, starting or varying Contributions, at a time when such action would be prohibited by Dealing Restrictions.

6. Matching Share Awards

6.1 Meaning of “Award”

For the purposes of this rule 6 (Matching Share Awards), references to “**Awards**” mean Matching Share Awards.

6.2 Grant of Matching Share Awards

The Committee may decide to grant Awards to Participants which are linked to some or all of the Investment Shares purchased. The terms on which a Participant enrolls in the Plan will state if Awards will be granted.

A Participant’s Award will be granted on the first Purchase Date for that Participant in the relevant Purchase Period, unless the Committee decides otherwise.

6.3 Terms of Matching Share Awards

Awards are subject to the rules of the Plan.

The Committee will approve the terms of an Award, which will be set out in the terms communicated to Employees in connection with enrolment, including:

- 6.3.1 the Matching Ratio;
- 6.3.2 the Matching Limit (if any);
- 6.3.3 the Expected Vesting Date; and
- 6.3.4 whether the Participant may be required to enter into any election for a particular tax and/or social security treatment in respect of an Award and/or any Shares and any consequences of failing to make the election.

6.4 Matching Ratio and Matching Limit

The Committee will specify the Matching Ratio and, if having one, the Matching Limit for each Award.

The Matching Ratio is used to determine the number of Shares subject to a Matching Share Award by reference to the Linked Investment Shares purchased.

The Matching Limit, where applicable, is the limit on the number of Investment Shares or value of a Contribution by reference to which the Shares subject to a Matching Share Award will be calculated. Where a Matching Limit applies, the relevant number of Investment Shares (or number of Investment Shares purchased with the specified value of a Contribution) will be “**Linked Investment Shares**”. For the avoidance of doubt:

6.4.1 where applicable, Investment Shares acquired on any occasion which are in excess of the applicable Matching Limit will not be Linked Investment Shares; and

6.4.2 where no Matching Limit applies, all Investment Shares will be Linked Investment Shares.

The Committee may alter the Matching Ratio and/or Matching Limit at any time. The Committee must give notice of any change to all affected Participants as soon as practicable (and, in any event, before Investment Shares are purchased under the varied terms).

6.5 Lapse of Matching Share Awards

In addition to any other provisions for Lapse under the Plan, if a Participant directs the Nominee, prior to the Expected Vesting Date, to sell or transfer any Linked Investment Shares, the related Award will Lapse in respect of a number of Shares determined as follows: Linked Investment Shares sold or transferred multiplied by the Matching Ratio of the Award in question, unless the Committee determines otherwise.

6.6 Number of Shares that will Vest

The number of Shares subject to an Award that will Vest is equal to the aggregate number of Linked Investment Shares purchased for the relevant Purchase Period, and that continue to be held by the Nominee on behalf of the Participant, multiplied by the Matching Ratio of the Award. If the Matching Ratio has changed between Purchase Dates, the calculation will be applied to account for the different Matching Ratios.

7. Vesting of Free Share Awards and Matching Share Awards

7.1 Timing of Vesting

Free Share Awards will Vest on the latest of:

7.1.1 the Expected Vesting Date;

7.1.2 the date it is decided that any Performance Conditions are satisfied; and

7.1.3 the date it is decided that any Other Conditions are satisfied.

Matching Share Awards will Vest on the Expected Vesting Date.

7.2 Extent of Vesting

A Free Share Award will Vest to the extent that the Committee decides that any Performance Conditions and/or Other Conditions are satisfied.

A Matching Share Award will Vest to the extent set out in rule 6.6 (Number of Shares that will Vest).

To the extent a Free Share Award or a Matching Share Award or any part of it is no longer capable of Vesting it will Lapse. To the extent the Award Lapses, it cannot Vest under any other provision of the Plan.

7.3 Vesting – Impact of Dealing Restrictions

Where a Free Share Award or a Matching Share Award would otherwise Vest at a time when Dealing Restrictions would prohibit:

7.3.1 delivering or arranging delivery of Shares or cash; and/or

7.3.2 the Participant from selling Shares, if required to discharge Tax,

the Award will not Vest until the Dealing Restrictions cease to apply, unless the Committee decides otherwise.

7.4 Fractions

Where a Free Share Award or a Matching Share Award would otherwise Vest over a fraction of a Share, the number of Shares that will Vest will be rounded to the nearest whole Share. Alternatively, the Committee could choose to settle the Award using a fractional Share or fractional entitlement to Shares.

8. Settlement of Free Share Awards and Matching Share Awards

8.1 Meaning of “Award”

For the purposes of this rule 8 (Settlement of Free Share Awards and Matching Share Awards), references to “**Awards**” mean Free Share Awards and Matching Share Awards.

8.2 Cash alternative

The Committee may choose (whether at the time of grant or any other time before settlement) to settle any Award partly or fully in cash. The Participant will have no right to acquire the Shares in respect of which an Award has been settled in cash.

8.3 Delivery of Shares or cash

If an Award Vests, the Committee will arrange for the delivery of Shares or cash as soon as practicable after Vesting. Shares will be delivered to the Nominee on behalf of the Participant, unless the Committee decides otherwise.

8.4 Dealing Restrictions

If delivering or arranging delivery of Shares or cash would be prohibited by Dealing Restrictions, delivery will not occur until after the Dealing Restrictions cease to apply, unless the Committee decides otherwise.

9. Plan Shares

9.1 Shareholder distributions

In respect of Plan Shares held by the Nominee, shareholder distributions paid in:

- 9.1.1 cash will be applied in purchasing further Shares, the number of which will be determined by reference to the amount of shareholder distribution to which the Participant is entitled and the Market Value of a Share on the relevant date;
- 9.1.2 C shares (being redeemable non-cumulative preference shares in the Company) will be redeemed for cash by the Nominee on behalf of Participants as soon as possible, and when that cash is sufficient to purchase a whole Share, will be applied in purchasing further Shares which will take place at times specified by the Committee,

unless the Committee decides otherwise. Shares purchased under this rule will be considered Plan Shares and held by the Nominee on behalf of the Participant, unless the Committee decides otherwise.

The Committee will carry forward any excess not used to purchase Shares. Alternatively, the Committee may pay the excess to the Participant as soon as practicable or may apply the excess in purchasing a fractional Share or fractional entitlement to Shares.

9.2 Shareholder rights

Shares issued in connection with this Plan will rank equally in all respects with the Shares in issue on that date.

Participants will only be entitled to rights attaching to Shares from the date of the allotment or transfer to them.

9.3 Withdrawing Plan Shares

A Participant may instruct the Nominee to sell or transfer the Participant's Plan Shares at any time.

9.4 Share transfer tax

Any share transfer taxes arising on the delivery of Plan Shares will be payable by the Nominee (and reimbursed by the Company), unless the Committee determines that Participants will cover them.

10. Leaving

10.1 Leaving – general

When a Participant Leaves, and after all outstanding Free Share Awards and Matching Share Awards have either Lapsed or Vested, the Nominee will arrange for:

- 10.1.1 any Plan Shares held by the Nominee on the Participant's behalf to be sold or transferred, in accordance with the Participant's instructions; and
- 10.1.2 any sales proceeds and other cash held by the Nominee on the Participant's behalf to be transferred to the Participant, or otherwise paid in accordance with the Participant's instructions,

as soon as practicable.

If a Participant does not give the Nominee instructions in relation to the Plan Shares within the specified timeframe for giving instructions, the Plan Shares will be managed as decided by the Committee from time to time.

The Nominee will not be required to transfer cash amounts with a value of less than a minimum amount (specified from time to time) to Participants who have Left.

10.2 Leaving – Investment Shares

When a Participant Leaves, their rights to purchase Investment Shares Lapse. Contributions made, or in the process of being made, before the rights Lapse will be used to purchase Investment Shares (which will be able to qualify as Linked Investment Shares, up to the Matching Limit, for the purposes of the related Matching Share Award), unless the Committee decides otherwise.

10.3 Leaving before Vesting – Free Share Awards and Matching Share Awards

Where a Participant who holds a Free Share Award or Matching Share Award Leaves before Vesting:

10.3.1 a Free Share Award will Lapse as at the date of Leaving, unless the Committee decides it should Vest, in which case rule 10.6 (Free Share Awards – extent of Vesting) will apply;

10.3.2 a Matching Share Award will Vest on the first practicable Early Leaver Vesting Date following Leaving,

unless the Committee decides otherwise.

10.4 Leavers after Vesting – Free Share Awards and Matching Share Awards

If a Participant who holds a Free Share Award or Matching Share Award Leaves after Vesting, the Award will continue in accordance with the Plan.

10.5 Summary dismissal

If, at any time, a Participant is summarily dismissed or Leaves in circumstances where the Participant's employer would have been entitled to summarily dismiss the Participant (in the opinion of the Committee) then that Participant's Free Share Awards and Matching Share Awards will immediately Lapse.

10.6 Free Share Awards – extent of Vesting

If this rule 10.6 (Free Share Awards – extent of Vesting) applies, a Free Share Award will Vest to the extent the Committee decides (including, if appropriate, pro-rata to reflect the period from the Award Date until the date the Participant Leaves, as a proportion of the period from the Award Date until the Expected Vesting Date). Vesting will occur on the first practicable Early Leaver Vesting Date or otherwise on such date as the Committee decides.

11. Mobile Participants

11.1 Application of rule

If a Participant moves from one jurisdiction to another or becomes tax resident in a different jurisdiction and, as a result, there may be adverse legal, regulatory, administrative or tax consequences for the Participant and/or a Member of the Group in connection with participation in the Plan then the Committee may adjust the terms on which the Participant can participate in the Plan as it considers appropriate.

11.2 Cancellation

If the Committee decides that adjusting the terms of participation under rule 11.1 (Application of rule) is not practicable or appropriate, the Committee may decide that Awards will Lapse and/or that the Participant will be treated as a Leaver.

11.3 Notifying Participants

The Committee will notify affected Participants of any adjustment or decision made under this rule 11 (Mobile Participants) as soon as practicable.

12. Takeovers and restructurings

12.1 Change of Control

Where a person (or a group of persons acting together) obtains Control of the Company as a result of making an offer to acquire Shares:

12.1.1 Matching Share Awards will Vest;

12.1.2 Free Share Awards will Vest if, and to the extent, the Committee decides; and

12.1.3 rights to purchase Investment Shares will Lapse,
on the date the person obtains such Control.

12.2 Schemes of arrangement

Where a court sanctions a compromise or arrangement in connection with the acquisition of Shares, the Committee will decide that:

12.2.1 Matching Share Awards will Vest;

12.2.2 Free Share Awards will Vest if, and to the extent, the Committee decides; and

12.2.3 rights to purchase Investment Shares will Lapse,
on the date of the court sanction or the effective date.

12.3 Bound or entitled

Where a person becomes bound or entitled to acquire Shares under sections 979 to 982 or 983 to 985 of the Companies Act 2006 (inclusive):

12.3.1 Matching Share Awards will Vest;

12.3.2 Free Share Awards will Vest if, and to the extent, the Committee decides; and

12.3.3 rights to purchase Investment Shares will Lapse,
on the date the person becomes so bound or entitled.

12.4 Winding up

If shareholders approve the voluntary winding up of the Company:

12.4.1 Matching Share Awards will Vest;

12.4.2 Free Share Awards will Vest if, and to the extent, the Committee decides; and

12.4.3 rights to purchase Investment Shares will Lapse,
on the date of the shareholder approval.

12.5 Lapse

If Free Share Awards do not Vest, or Free Share Awards and/or Matching Share Awards only Vest in part under this rule 12 (Takeovers and restructurings), they will Lapse to the extent they do not Vest.

13. Exchange of Awards

13.1 Definitions

For the purposes of this rule 13 (Exchange of Awards), “**Acquirer**” means a person that obtains Control of the Company and “**Award**” means a Free Share Award or a Matching Share Award.

13.2 Application of rule

Where any of rules 12.1 (Change of Control), 12.2 (Schemes of arrangement) or 12.3 (Bound or entitled) is expected to or does apply:

- 13.2.1 if the relevant event constitutes a corporate reorganisation of the Company where substantially all the shareholders of the Company immediately before the reorganisation will continue to have Control immediately afterwards, Awards will not Vest under rule 12 (Takeovers and restructurings) but will instead be exchanged for new awards, unless the Committee decides otherwise acting fairly and reasonably; and
- 13.2.2 in any other case, the Committee may, with the consent of the Acquirer, decide that either:
 - (i) Awards will not Vest under rule 12 (Takeovers and restructurings) but will instead be exchanged for new awards; or
 - (ii) Participants will be entitled to choose, within a period decided by the Committee, whether to exchange their Awards for new awards.

Where relevant, the Company and the Acquirer will agree the appropriate approach in respect of Awards which have Vested prior to the relevant event but would not generally be settled (in accordance with rule 8 (Settlement of Free Share Awards and Matching Share Awards)) until after that event.

13.3 Timing of exchange

Any exchange of Awards for new awards will take place on (or as soon as practicable after) the relevant event in rule 12 (Takeovers and restructurings).

13.4 Exchange terms

Where a Participant is granted a new award in exchange for an existing Award, the new award:

- 13.4.1 to the extent the existing Award is over Shares, must confer a right to acquire shares (or other securities) in the Acquirer or another body corporate, as determined by the Committee with the agreement of the Acquirer;
- 13.4.2 is treated as having been acquired at the same time as the Award; and
- 13.4.3 unless the Committee decides otherwise, must be subject to terms and conditions that are considered by the Committee to be substantially equivalent to the terms and conditions applicable to the Award immediately prior to exchange.

13.5 Interpretation following exchange

Unless the Committee decides otherwise, any new award that is subject to the Plan will be interpreted as if references to Shares are references to the shares (or other securities) over which the new award is granted and references to the Company are references to the Acquirer.

14. Variations in share capital

14.1 Definition

For the purposes of this rule 14 (Variations in share capital), “**Award**” means a Free Share Award or a Matching Share Award.

14.2 Adjustments to Awards

If there is:

- 14.2.1 a variation in the share capital of the Company, including a capitalisation or rights issue, open offer, sub-division, consolidation or reduction of share capital;
- 14.2.2 a demerger (in whatever form);
- 14.2.3 a special dividend or distribution; or
- 14.2.4 any other transaction which the Committee decides will materially affect the value of the Shares,

the Committee may adjust the number or class of the Shares to which an Award relates, and the number of Linked Investment Shares that are linked to a Matching Share Award, in such manner as the Committee considers appropriate.

The Committee will notify affected Participants of any adjustment made under this rule 14.2 (Adjustments to Awards) as soon as practicable.

14.3 Alternative Vesting

If the Committee decides that an adjustment of Awards is not practicable or appropriate, then the Committee may decide that Awards (including a right to purchase Investment Shares) will be treated as if there had been a change of Control, in accordance with rule 12.1 (Change of Control), and to the extent Awards do not Vest they will Lapse. If the Committee decides that Awards will be treated as if there had been a change of Control, it may decide that any Vesting of Awards will take place immediately prior to, and conditional on, the relevant event in rule 14.2 (Adjustments to Awards) occurring.

15. Tax

15.1 Withholding

Any Member of the Group, any employing company, the Nominee or any third-party provider nominated by the Committee may make withholding arrangements as set out in this rule 15.1 (Withholding).

A withholding entity may make such withholding arrangements as it considers necessary or desirable, including making deductions from any cash payment owed to the Participant.

Withholding arrangements may include the sale on behalf of the Participant of some or all of the Participant's Plan Shares.

An entity may withhold to meet any liability for Tax and to meet any applicable dealing and/or currency exchange costs and other associated costs.

15.2 Participant indemnity

Each Participant indemnifies the Group for that Participant's liability for Tax.

16. Terms of employment

16.1 Application

This rule 16 (Terms of employment) applies during an Employee's employment and after the termination of an Employee's employment, whether or not the termination is lawful.

16.2 Not part of employment contract

Nothing in the rules of the Plan or the operation of the Plan forms part of an Employee's contract of employment or alters it. The rights and obligations arising from the employment or former employment relationship between the Employee and the relevant Member of the Group are separate from, and are not affected by, the Plan. Participation in the Plan does not create any right to, or expectation of, employment (continued or otherwise).

16.3 No future expectation

No Employee has a right to participate in the Plan. Participation in the Plan or the grant of an Award on a particular basis in any year does not create any right to or expectation of participation in the Plan or the grant of an Award on the same, or any other, basis (or at all) in the future.

16.4 Decisions and discretion

The terms of the Plan do not entitle the Employee to the exercise of any discretion in the Employee's favour. The Employee will have no claim or right of action in respect of any decision, omission or discretion which may operate to the disadvantage of the Employee.

16.5 No compensation

No Employee has any right to compensation or damages for any loss (actual or potential) in relation to the Plan, including any loss in relation to:

- 16.5.1 any loss or reduction of rights or expectations under the Plan in any circumstances (including lawful or unlawful termination of employment);
- 16.5.2 any exercise of a discretion or a decision taken in relation to an Award or to the Plan, or any failure or delay to exercise a discretion or take a decision; and
- 16.5.3 the operation, suspension, termination or amendment of the Plan.

16.6 Waiver

By participating in the Plan, an Employee agrees to waive all rights which might otherwise arise under the Plan, other than the right to acquire Shares or cash (as appropriate) subject to and in accordance with the explicit rules of the Plan, in consideration for and as a condition of the grant of an Award.

17. General

17.1 Data protection

Participation in the Plan will be subject to:

17.1.1 any data protection policies applicable to any relevant Member of the Group; and

17.1.2 any applicable privacy notices.

17.2 Consents and filings

All allotments, issues and transfers of Shares or cash payments will be subject to the Company's articles of association and any necessary consents or filings required in any relevant jurisdiction. The Participant will be responsible for complying with any requirements needed in order to obtain, or to avoid the necessity for, any such consents or filings.

17.3 Source of Shares

The Plan may operate using newly issued Shares, Shares transferred from treasury and/or Shares purchased in the market, except that no newly issued Shares or Shares transferred from treasury may be used for new offers of Awards made following the later of [23] May 2034 and the Company's AGM in 2034, unless further shareholder approval is obtained.

17.4 Listing

If, and for as long as, the Shares are listed on the London Stock Exchange (or, if the Committee decides, any other stock exchange on which the Shares are traded), the Company will apply as soon as practicable for the listing and admission to trading on such exchange of any Shares issued in connection with the Plan.

17.5 Notices

Any notice or other communication required under this Plan will be given in writing, which may include electronic means.

Any notice or other communication to be given to an Employee or Participant may be delivered by electronic means (including by email, through the Group's intranet or a share plan portal), personally delivered or sent by ordinary post to such address as the Committee reasonably considers appropriate.

Any notice or other communication to be given to the Company, the Nominee or the Company's agents may be delivered or sent to its registered office or such other place and by such means as the Committee, the Nominee or the Company's agents, as appropriate, may specify and notify to Employees and/or Participants, as relevant.

Notices or other communications:

17.5.1 sent electronically will be deemed to have been received immediately (if sent during usual business hours) or at the opening of business on the next Business Day (if sent outside usual business hours);

17.5.2 that are personally delivered will be deemed to have been received when left at the relevant address (if left during usual business hours) or at the opening of business on the next Business Day (if left outside usual business hours); and

17.5.3 sent by post will be deemed to have been received 24 hours after posting to a UK address or 3 days after posting to an address outside the UK,

unless there is evidence to the contrary.

All notices or communications to be given to Employees or Participants are given and sent at the risk of the addressee. No Member of the Group has any liability in respect of any notice or communication given or sent, nor need they be concerned to see that the addressee actually receives it.

17.6 Third party rights

Except as otherwise expressly stated to the contrary, nothing in the Plan confers any benefit, right or expectation on any person other than an Employee, a Participant, the Nominee or a Member of the Group. No third party has any rights under the Contracts (Rights of Third Parties) Act 1999 (or any similar legislation in an overseas jurisdiction) to enforce any rule of this Plan.

17.7 Bankruptcy

A Participant's Award will Lapse if the Participant becomes bankrupt or enters into a compromise (or any overseas equivalent) with the Participant's creditors generally, other than where the compromise (or overseas equivalent) is entered into by the Participant voluntarily and at the Participant's complete discretion.

17.8 Not pensionable

None of the benefits that may be received under the Plan are pensionable.

17.9 Not transferable

A Participant's Award will Lapse if the Participant transfers, assigns, charges or otherwise disposes of the Award or any of the rights in respect of it, whether voluntarily or involuntarily (other than to that Participant's personal representatives on death).

17.10 Currency conversions

Any conversion of money into different currencies (whether notional or actual) will be done at a time and rate of exchange that the Committee decides.

No Member of the Group will be liable for any loss due to movements in currency exchange rates or conversion or money transfer charges.

17.11 No liability for delay

No Member of the Group will be liable for any loss arising from any delay in giving effect to any notice or communication received from an Employee or Participant or in procuring a sale, allotment or transfer of any Shares.

17.12 Malus and clawback policy

The Rolls-Royce Group Malus and Clawback Policy does not apply to this Plan.

18. Administration

18.1 Administration of the Plan

The Plan will be administered by the Committee, which has authority to make such rules and regulations for the administration of the Plan as it considers necessary or desirable. The Committee may delegate any and all of its rights and powers under the Plan.

18.2 Committee decisions

All decisions of the Committee in connection with the Plan and its interpretation and the terms of any Awards (including in any dispute) will be final and conclusive.

The Committee will decide whether and how to exercise any discretion in the Plan.

18.3 Severance of rules

If any provision of the Plan is held to be invalid, illegal or unenforceable for any reason by any court with jurisdiction then, for the purposes of that jurisdiction only:

18.3.1 such provision will be deleted; and

18.3.2 the remaining provisions will continue in full force and effect,
unless the Committee decides otherwise.

18.4 Language

Where there is any conflict between the terms of the English version of the Plan, documents relating to the Awards and/or any ancillary documents and a version in any other language, the English language version will prevail.

18.5 Dealing Restrictions

Each person will have regard to Dealing Restrictions when operating, interpreting, administering, participating in and/or taking any other action in relation to the Plan.

19. Changing the Plan and termination

19.1 General power

The Committee may change the Plan in any way and at any time.

19.2 Shareholder approval

The Company will obtain prior approval of shareholders by ordinary resolution for any change to the Plan which is to the advantage of present or future Participants and which relates to any of the following:

19.2.1 the persons who may receive Shares or cash under the Plan;

19.2.2 the total number or amount of Shares or cash which may be delivered or paid under the Plan;

19.2.3 the maximum entitlement for any Participant;

19.2.4 the basis for determining a Participant's entitlement to, and the terms of, Shares or cash provided under the Plan and the rights of a Participant in the event of a variation made under rule 14.2.1; and

19.2.5 this rule 19.2 (Shareholder approval).

19.3 Shareholder approval – exceptions

The Committee need not obtain shareholder approval for any changes to the Plan which are minor and to:

19.3.1 benefit the administration of the Plan;

19.3.2 comply with or take account of a change in legislation; and/or

19.3.3 obtain or maintain favourable tax, exchange control or regulatory treatment of any Member of the Group or any present or future Participant.

19.4 Participant consent

If a proposed change would be to the material disadvantage of one or more Participants in respect of existing rights under the Plan, then the Committee must obtain the written consent of the affected Participant(s).

19.5 Participant consent – minor changes exception

The Committee need not obtain Participant consent for any changes which are minor and to:

19.5.1 benefit the administration of the Plan;

19.5.2 comply with or take account of a change in legislation; and/or

19.5.3 obtain or maintain favourable tax, exchange control or regulatory treatment of any Member of the Group or any present or future Participant.

19.6 Participant consent – majority consent exception

The Committee need not obtain the consent of a Participant if:

19.6.1 the Committee invites each disadvantaged Participant to indicate whether or not they approve the change; and

19.6.2 the majority of the Participants who were invited and who make an indication approve the change.

19.7 Notice of change

The Committee will give written notice of changes to Participants whose Awards are materially affected.

19.8 International variations

The Committee may establish plans or schedules based on the Plan, but modified to take account of any local tax, exchange control or securities laws in other jurisdictions, provided that:

19.8.1 those plans are subject to the limits set out in rule 3 (Plan limits); and

19.8.2 no individual will be entitled to more Shares or cash under an overseas plan than the maximum entitlement under the Plan.

19.9 Termination of the Plan

The Plan will terminate on the date the Committee decides. No Awards may be granted after the termination of the Plan but termination will not affect existing rights under the Plan.

19.10 Consequences of termination

If the Committee terminates the Plan, after all outstanding Free Share Awards and Matching Share Awards have either Lapsed or Vested, the Nominee will arrange for:

19.10.1 any Plan Shares held by the Nominee on the Participant's behalf to be sold or transferred, in accordance with the Participant's instructions; and

19.10.2 any sales proceeds and other cash held by the Nominee on the Participant's behalf to be transferred to the Participant, or otherwise paid in accordance with the Participant's instructions,

as soon as practicable.

If a Participant does not give the Nominee instructions in relation to the Plan Shares within the specified timeframe for giving instructions, the Plan Shares will be managed as decided by the Committee from time to time.

The Nominee will not be required to transfer cash amounts with a value of less than a minimum amount (specified from time to time) following termination of the Plan.

20. Governing law and jurisdiction

The laws of England and Wales govern the Plan, all Awards and all Plan Shares. The courts of England and Wales have exclusive jurisdiction in respect of any disputes arising in connection with the Plan, any Award and any Plan Shares.