

ROLLS-ROYCE PLC

INTERNATIONAL SHARESAVE PLAN 2011

As approved by the shareholders of Rolls-Royce
Holdings plc on [6 May 2011]

1. DEFINITIONS

Applicable Laws means the legal requirements relating to the administration of share option plans and the transfer or allotment of Shares thereunder of any stock exchange or market on which the Shares are listed or quoted, or the applicable laws of any other country or jurisdiction where Units or Shares are awarded under the Plan;

Appointed Authority means any institution with which the Board may require Eligible Employees to enter into a Savings Plan as a condition of being granted a SAR;

Associated Company has the meaning the meaning given to those words by paragraph 47 of Schedule 3 to ITEPA 2003;

the Board means the board of directors of the Company or a duly authorised committee thereof;

the Company means Rolls-Royce plc;

Control has the meaning given to it in section 995 Income Taxes Act 2007;

Date of Grant has the meaning given to it in rule 2.5;

Eligible Employee means any employee or director who is eligible to participate in the Plan under the provisions of rule 2.2;

Full Time means not less than twenty five hours per week (excluding meal breaks);

Holding Company means any holding company of a company within the meaning of section 1159 and schedule 6 of the Companies Act 2006;

ITEPA 2003 means the Income Tax (Earnings and Pensions) Act 2003; and expressions not otherwise defined in this Plan have the same meanings as they have in Schedule 3;

ITTOIA 2005 means the Income Tax (Trading and Other Income) Act 2005;

Market Value means, on any day, the average of the middle market quotations of a Share as derived from the Stock Exchange Daily Official List for the three immediately preceding dealing days;

Maximum Aggregate Savings Contribution means an amount determined by the Board as the maximum permitted monthly savings contribution payable by an Eligible Employee under a Savings Plan in a Plan Location;

Minimum Savings Contribution means an amount determined by the Board as the minimum permitted monthly savings contribution payable by an Eligible Employee under a Savings Plan in a Plan Location from time to time;

Maturity Date means in relation to a SAR:

- (a) where the SAR is linked to a five year Savings Plan, the fifth anniversary of the start of the Savings Plan; or

- (b) where the SAR is linked to a seven year Savings Plan, the seventh anniversary of the start of the Savings Plan;

Option means a right to acquire Shares under the terms of the Plan;

Participating Company means the Company or any Subsidiary to which the Board has resolved that this Plan shall for the time being extend and any Related Company to which the Board has resolved that this Plan shall for the time being extend;

the Plan means this Plan as amended from time to time;

Plan Location means a territory in which persons are employed by one or more Participating Companies;

Pricing Day the day stated in an invitation to apply for a SAR as being the day by reference to which the Market Value of a Share is determined for the purposes of fixing the SAR Price;

Projected Interest means an estimated interest amount determined by the Board provided that the maximum amount does not exceed the equivalent bonus payable in respect of a Savings Contract of the same length under the Rolls-Royce plc UK Sharesave Plan 2011;

Redundancy means termination of employment for one of the following reasons: because the relevant company has ceased or intends to cease to carry on the business for the purpose of which the employee was employed, or to carry on the business in the place where the employee was employed, or the requirements of the relevant company for employees to carry out work of a particular kind or carry out work of a particular kind in the place where the employee was employed have ceased or are expected to diminish, or such similar reason as the Board may determine;

Related Company means a company which is not under the control of any single person, but is under the control of two persons, one of them being the Company;

Reorganisation a “reorganisation” for the purposes of sections 127 to 131 of the Taxation of Chargeable Gains Act 1992;

Rolls-Royce Group plc means the Holding Company of the Company;

Rolls-Royce Holdings plc means the Holding Company of Rolls-Royce Group plc;

the Rolls-Royce Group means the Company, its Subsidiaries, any Associated Company or any Related Company which is a Participating Company;

SAR means a share appreciation right, which is a right to receive a payment per Unit calculated in accordance with Rule 7;

SAR Holder means any individual who holds a subsisting SAR (or, where the context permits, the legal personal representatives of a deceased SAR Holder);

SAR Price the notional price per Unit used to calculate the payment due to a Participant on settlement of an SAR;

Savings Plan means an agreement to save with the Appointed Authority or the Company in accordance with the terms designated by the Board;

Shares means fully paid Ordinary Shares of 20p each in Rolls-Royce Holdings plc;

Share Option Scheme means any employee share option scheme established by the Company;

The Stock Exchange means the London Stock Exchange plc or any successor body thereto;

Subsidiary any subsidiary of the Company within the meaning of section 1159 and schedule 6 of the Companies Act 2006 over which the Company has Control;

UKLA means the United Kingdom Listing Authority;

Unit means a notional unit equivalent to a Share, which determines the value of any payment due on settlement of an SAR.

1.1 For the purposes of these Rules, the length of an employee's period of employment, and whether that employment has been continuous, shall be determined in accordance with Chapter I of Part XIV of the Employment Rights Act 1996 as though these Rules were an enactment.

1.2 Where the context permits the singular shall include the plural and vice versa and the masculine shall include the feminine.

1.3 References to any Act shall include any statutory modification, amendment or re-enactment thereof.

2. GRANT OF SARs

2.1 The Board may, in its absolute discretion, not more than twice in each calendar year invite all Eligible Employees to apply for SARs at the SAR Price and shall:

- (a) nominate one or more bodies as an Appointed Authority provided that if no such nomination is made, any body nominated in relation to the previous grant of SARs or options under The Rolls-Royce International Sharesave Plan 2007, shall be an Appointed Authority;
- (b) determine the Maximum Aggregate Savings Contribution provided that if no such determination is made, the Maximum Aggregate Savings Contribution shall be the maximum amount permitted under the UK legislation relating to approved savings-related share option plans expressed in the currency units of the relevant Plan Location;
- (c) determine whether three, five or seven year Savings Plans will be offered;
- (d) determine the currency units applicable in each Plan Location and the exchange rate between £Sterling and the currency units in the relevant Plan Location to be applied to the Minimum Savings Contribution and the Maximum Aggregate Savings Contribution, and determine any multiple of a currency unit which shall apply to the monthly subscription; and
- (e) determine for each Plan Location how and when the value of the SAR Holders' local currency units shall be translated into £Sterling for the purposes of calculating the number of SARs granted.

2.2 Any employee or a Full Time director of a Participating Company in employment and who is not eligible to participate in the Rolls-Royce plc UK ShareSave Plan 2011 and who has not less than twelve months' continuous employment with one or more companies in the Rolls-Royce Group on a date when invitations to apply for SARs are issued is eligible to join the Plan on that occasion, unless he has given or he has been given notice to terminate his contract of employment: Provided that the Board may, in its absolute discretion, on any occasion when invitations to apply for SARs are issued (a) impose a requirement of a different period (being a period such that the Date of Grant referred to in rule 2.5 cannot fall more than five years after its commencement) of continuous employment with a Participating Company and/or (b) in relation to named directors or employees or defined categories of directors or employees of a company or companies in a Participating Company, waive the continuous employment requirement.

Invitations for SARs

2.3 Invitations shall be issued, if at all, within a period of six weeks beginning with the dealing day next following from the date on which Rolls-Royce Holdings plc announces its results for any period. Provided that:

- (a) invitations may be issued at any other time when the circumstances are considered by the Board to be sufficiently exceptional to justify the giving of an invitation; and
- (b) an invitation may be issued within the period of 14 days before the date of publication of Rolls-Royce Holdings plc's interim report or preliminary results, but only on the basis that the Pricing Day will be a day after the said date of publication.

2.4 (a) Subject to the specific provisions contained in the Plan, the form, manner and timing of invitations to apply for SARs, the determination of the Pricing Day, the number of Units in respect of which invitations are made on any date and the exchange rate between £Sterling and the currency unit for the Savings Plan in which the employee participates shall be at the absolute discretion of the Board. Each invitation shall state the Pricing Day for any SAR to be granted on that occasion and (i) where the Pricing Day precedes the date of the invitation, the SAR Price, or (ii) where the Pricing Day does not precede the date of the invitation, the discount (if any) to be applied in fixing the SAR Price.

(b) The Pricing Day –

- (i) may be a day falling after the date of the invitation; but
- (ii) shall be a day after the date of announcement referred to in rule 2.3;
- (iii) if it falls before the date of the invitation, shall be the fifth business day before the date of the invitation.

Application for SARs

2.5 If an Eligible Employee wishes to apply for a SAR he must, within such period (which shall not be less than 14 days) after the date of the invitation as is stated in the invitation, deliver to the Company a form of application under the terms of the Plan together with a duly completed application for a Savings Plan authorised by the Eligible Employee.

An Eligible Employee must state on the form of application whether he wishes to apply for a 3-year SAR, a 5-year SAR or a 7-year SAR and in the absence of such a statement he shall be deemed to have stated that he wishes to apply for a 5 year SAR. For this purpose:-

- (a) a 3-Year SAR is a SAR in connection with a three year Savings Plan;
- (b) a 5-Year SAR is a SAR in connection with a five year Savings Plan; and
- (c) a 7-Year SAR is a SAR in connection with a seven year Savings Plan.

Grant of SARs

Following the receipt by the Company of valid forms of application the Board may subject to rules 2.6 and 2.7, on a single date (the Date of Grant), which shall not be later than the thirtieth day after the Pricing Day or the forty second day where the scaling-down procedure in rule 2.7 is operated, procure the grant of all (but not some of) the SARs for which application has been made on that occasion by Eligible Employees (provided that they comply with the conditions of eligibility in rule 2.2 on the Date of Grant and provided further that no grant of a SAR shall be made at any time which would offend against the Model Code for Securities Transactions by Directors of Listed Companies issued by the UKLA or any rules or statements issued by Rolls-Royce Holdings plc therewith):

Provided that if, on any occasion, the date of the invitations precedes the Pricing Day an Eligible Employee whose application for a SAR has been received by the Company on or before the Pricing Day may, by notice in writing delivered to the Company after the Pricing Day but before the Date of Grant, withdraw his application.

As soon as practicable thereafter, the Board shall procure the issue of a SAR certificate to each Eligible Employee who has been granted a SAR.

No cash payment is required on the grant of a SAR.

2.6 The Board may, in its sole discretion, treat late applications as valid unless they are received after the Date of Grant.

Scaling Down

2.7 If valid applications are received for a number of Units in excess of that which the Board has determined to make available on a particular occasion they may be accepted only in the following manner (Provided that if the excess referred to above is less than ten per cent of the number of Units that the Board resolved to make available on that occasion pursuant to rule 2.4 then the Board shall, subject to the overriding limits set out in rule 3.1 have a discretion to procure the grant of SARs in respect of the full number of Units for which applications were received):

- (a) Subject to (b) below, the monthly subscription stipulated in each application for an SAR related to a monthly subscription in excess of the Minimum Savings Contribution shall be scaled down by multiplying each such monthly subscription by the same fraction, provided that each monthly contribution will not be less than the Minimum Savings Contribution, so that SARs will be granted over a number of Units which is less than, or equal to, that which the Board has determined to make available on that occasion. The monthly subscription amount may be rounded up or down to the nearest whole currency unit.

- (b) If, following the application of the procedure set out in (a) above, insufficient Units are being made available to satisfy all applications, the applicants who are to receive SARs shall be selected by lot, and each successful applicant shall receive an SAR linked to a Savings Plan with a monthly subscription of the Minimum Savings Contribution.

Grant of Options

2.8 The Board may determine that Eligible Employees shall be granted SARs in the form of Options. The grant of such Options shall be subject to the limits in Rule 3 below. The rules of the Plan shall be interpreted (and where appropriate amended) in such a manner as the Board determines is reasonably necessary to give effect to this rule. The terms of any Options granted under this rule 2.8 shall be specified in writing at the date of grant.

3. LIMITS

3.1 No SAR shall be granted if the result of that grant would be that the aggregate number of Shares that could be issued on the settlement of that SAR and any other SARs granted at the same time, when added to the number of Shares that-

- (a) could be issued on the exercise of any other subsisting share options granted during the preceding ten years under any Share Option Scheme (including the Plan), and
- (b) have been issued on the exercise of any share options granted under any Share Option Scheme (including the Plan) during the preceding ten years, and
- (c) have been issued during the preceding ten years under any profit would exceed 10 per cent of the ordinary share capital of the Company for the time being in issue.

3.2 References in this rule 3 to the issue of Shares shall, for the avoidance of doubt, mean the issue and allotment (but not transfer) of Shares. For so long as it is institutional shareholders' best practice, treasury Shares shall count as newly issued Shares.

3.3 For the purpose of applying the above limit following the Schemes of Arrangement (see rule 3.6 below) the share capital of the Company is to be equated with the share capital of Rolls-Royce Group plc and Rolls-Royce Holdings plc and the definition of Shares (see rule 3.6 below) will cause both exercises prior to the Schemes of Arrangement and grants after the Schemes of Arrangement to be counted.

3.4 No individual may be granted an SAR over such number of Units such that the granting of such SAR and the entry into the necessary related Savings Plan would result in the infringement of rule 3.5.

3.5 No Eligible Employee may be granted an SAR if the monthly contributions under the related Savings Plan when aggregated with the amount of his monthly contributions under any other Savings Plan linked to this Plan, or other savings-related share option plans offered by the Company, would exceed the Maximum Aggregate Savings Contribution.

3.6 For the purposes of this rule 3 only:

- (a) the **2003 Scheme of Arrangement** means the scheme of arrangement of Rolls-Royce plc under section 425 of the Companies Act 1985, effective 23 June 2003, which introduced the Company as a new holding company for the Rolls-Royce Group;

- (b) the **2011 Scheme of Arrangement** means the scheme of arrangement under Part 26 of the Companies Act 2006 effective [23 May 2011], which introduced a new Holding Company for Rolls-Royce Group plc (together with the 2003 Scheme of Arrangement, **Schemes of Arrangement**);
- (c) the definition of **Shares** means
- (i) prior to the 2003 Scheme of Arrangement, fully paid Ordinary Shares of 20p each in Rolls-Royce plc;
 - (ii) following the 2003 Scheme of Arrangement and prior to the 2011 Scheme of Arrangement, fully paid Ordinary Shares of 20p each in Rolls-Royce Group plc which comply with the conditions in paragraphs 18 to 22 of Schedule 3; and
 - (iii) following the 2011 Scheme of Arrangement, fully paid Ordinary Shares of 20p each in Rolls-Royce Holdings plc which comply with the conditions in paragraphs 18 to 20 of Schedule 3.

4. TERMS OF SAVINGS PLANS AND SARs

4.1 Subject to the limits in rule 3.5 and to the provisions of rule 4.5, the monthly contribution under an Eligible Employee's Savings Plan shall be that monthly sum (not being less than the Minimum Savings Contribution) which the Eligible Employee has elected to save.

4.2 The relevant sum shall be deducted from pay by monthly, four-weekly, fortnightly or weekly payroll deduction as appropriate or if this is not permissible under Applicable Laws by such other method determined by the Board.

4.3 If an SAR Holder misses any monthly contributions, the number of Units over which he holds an SAR will be reduced accordingly. Where Options are granted under rule 2.8 of the Plan, the Board may determine at the time of grant whether this rule shall apply. The Board may then determine that additional contributions may be made to the Savings Plan and the Maturity Date and number of Shares under Option shall be amended accordingly.

4.4 If a SAR Holder misses more than six monthly contributions the Savings Plan shall terminate and the SAR shall lapse.

4.5 If the procedure set out in rule 2.7 is implemented on any occasion the monthly contributions under Savings Plans which Eligible Employees have specified in their applications shall, where necessary, be scaled down to such sums as appropriate (but not being less than the Minimum Savings Contribution) so that the proceeds of repayment of each Savings Plan will equal, as nearly as possible, but not be less than the aggregate SAR Price and the Board shall be authorised to amend the applications for Savings Plans as necessary.

4.6 The Savings Plan shall be personal to the Eligible Employee and, regardless of the terms of the SAR, any savings arising under it shall be the property of the Eligible Employee concerned.

4.7 The SAR Price shall be determined by the Board, but shall be not less than 80 per cent of the Market Value of a Share on the Pricing Day.

4.8 The number of Units over which SARs are granted shall be determined by dividing the sum due under the related Savings Plan (inclusive of the Projected Interest) on the Maturity Date by the SAR Price and rounding the resulting number down to the nearest whole Unit: Provided that where, under the terms of the Plan, the SAR is settled before the Maturity Date, the maximum number of Units that will remain subject to the SAR shall be limited to a number that is equal to the number of Shares that could have been acquired at the SAR Price out of the proceeds of the repayment of the Savings Plan at the time the SAR is settled (ignoring the repayment of any contribution the due date for payment of which falls more than one month after the date on which repayment is made).

4.9 A SAR may only be settled after the Maturity Date, save as provided in rules 4.9(a)(i) to (iv), 4.9(b) and 5.

(a) Where a SAR Holder ceases to hold the office or employment by virtue of which he is eligible to participate in the Plan before the Maturity Date:

- (i) by mutual agreement with the employing company (except where an agreement between the SAR Holder and employing company on termination specifically states that SARs or Options granted under this Plan shall lapse), Redundancy, injury or disability, any SARs will be settled within 30 days of the date on which employment ceased;
- (ii) on his death, any outstanding SARs will be settled within 30 days;
- (iii) on (aa) his employing company ceasing to be under the Control of the Company, or (bb) the business (or part of a business) to which the office or employment by virtue of which he is eligible to participate in the Plan relates being transferred to a person who is neither an Associated Company of the Company nor a company over which the Company has Control, any outstanding SARs will be settled within 30 days of the date on which cessation occurred;
- (iv) for any reason other than one of those mentioned in (i), (ii) or (iii) above, any outstanding SARs the Maturity Date for which fell on or before the date on which cessation occurred will be settled within 30 days of cessation.

For the purposes of this rule 4.8(b) an SAR Holder shall only be treated as ceasing to hold the office or employment by virtue of which he is eligible to participate in the Plan when (x) he ceases to hold an office or employment in the Company or any company over which the Company has Control or any Associated Company of the Company or any Related Company which is a Participating Company or (y) being a female employee who is absent from work wholly or partly because of pregnancy or confinement, she ceases to be entitled to exercise her right to return to work.

- (b) If, at the Maturity Date, an SAR Holder holds an office or employment with a company which is not a Participating Company but which is an Associated Company or a company of which the Company has control, his SARs will be settled.
- (c) An SAR will automatically be settled within 30 days of the Maturity Date. No action is required on the part of the SAR Holder to receive any payment due.
- (d) Save as provided in this rule 4.9, an SAR may only be settled if the SAR Holder is at that time a director or employee of the Rolls-Royce Group by virtue of which employment he was eligible to participate in the Plan.

- (e) Where Options have been granted under rule 2.8, references in this rule 4.9 to settlement within 30 days shall be amended so that Options can be exercised by the Option holder within six months of the earlier of the date of termination of employment and the Maturity Date. Failing such exercise the Option shall lapse. The procedure for exercise of Options shall be notified to Option holders prior to the Maturity Date.

4.10 Every SAR granted hereunder shall be personal to the SAR Holder and, except to the extent necessary to enable a personal representative to receive payment due under the SAR following the death of an SAR Holder, neither the SAR nor the benefit thereof may be transferred, assigned, charged or otherwise alienated. Any transfer of an SAR otherwise than as permitted under this rule 4.10 shall cause the SAR to lapse.

5. CHANGE IN CONTROL ETC.

5.1 If at any time any person obtains Control of Rolls-Royce Holdings plc as a result of making:

- (a) a general offer to acquire the whole of the issued ordinary share capital of Rolls-Royce Holdings plc which was made on a condition such that if it was satisfied the person making the offer would have Control of Rolls-Royce Holdings plc; or
- (b) a general offer to acquire all the Shares;

all outstanding SARs will be settled within 30 days of the time when the offeror has obtained Control of Rolls-Royce Holdings plc and any condition subject to which the offer is made has been satisfied or such longer period not exceeding 6 months as the Company may determine, unless the end of the said period falls within such a period as is mentioned in rule 5.2: For the purposes of this rule 5.1 a person shall be deemed to have acquired Control of Rolls-Royce Holdings plc if he and others acting in concert with him have together obtained Control of it.

5.2 If any person becomes bound or entitled to acquire shares in Rolls-Royce Holdings plc under sections 974 to 982 of the Companies Act 2006, SARs will be settled at any time when that person remains so bound or entitled.

5.3 If under Part 26 of the Companies Act 2006 the court sanctions a compromise or arrangement any outstanding SARs will be settled within 30 days of the Court sanctioning the compromise or arrangement or such longer period not exceeding 6 months as the Company may determine.

5.4 If any company (the “acquiring company”):-

- (a) obtains Control of Rolls-Royce Holdings plc as a result of making a general offer to acquire the whole of the issued ordinary share capital of Rolls-Royce Holdings plc which is made on a condition such that if it is satisfied the acquiring company will have Control of Rolls-Royce Holdings plc, or
- (b) obtains Control of Rolls-Royce Holdings plc in pursuance of a compromise or arrangement sanctioned by the court under Part 26 of the Companies Act 2006; or
- (c) becomes bound or entitled to acquire shares in Rolls-Royce Holdings plc under sections 974 to 982 of that Act,

any SAR Holder may at any time within the appropriate period (which expression shall be construed in accordance with paragraph 38(3) of Schedule 3 ITEPA), by agreement with the acquiring company, release any SAR which has not lapsed (“the old SAR”) in consideration of the grant to him of an SAR (“the new SAR”) which (for the purposes of that paragraph) is equivalent to the old SAR but relates to shares in a different company (“the new grantor”).

5.5 Rule 5.4 shall apply in respect of any change of circumstances within the terms of rule 5.4 above affecting the new grantor as if references to the SAR were references to the new SAR as it related to the shares or units in the new grantor and as if references to Units were references to the new shares in respect of which the new SAR was granted.

5.6 If a resolution for a voluntary winding-up of Rolls-Royce Holdings plc is passed then any outstanding SAR will be settled within 30 days of the passing of the resolution.

5.7 Where an Option has been granted under rule 2.8, references in this rule 5 to settlement within 30 days shall be automatically amended so that Options can be exercised by the Option holder within six months of the relevant date as specified in this rule 5. Failing such exercise the Option shall lapse.

6. ADJUSTMENT OF SARs

6.1 In the event of any Reorganisation of the share capital of Rolls-Royce Holdings plc, the SAR Price and the number of Units comprised in a SAR may be adjusted in such manner as the Board may determine and such decision of the Board shall be final and binding on the SAR Holder and the Company: Provided always that no adjustment shall be made pursuant to the rule which would increase the aggregate SAR Price under any SAR.

6.2 Where Options have been granted under rule 2.8, references in rule 6 to the adjustment of SARs shall apply to the adjustment of Options, the Option price and the number of Shares comprised in an Option.

7. SETTLEMENT OF SARs

7.1 Within 30 days of the Maturity Date, or other date as provided in rule 4 or 5 the Company will pay the SAR Holder, or arrange that there is paid to the SAR Holder a cash sum of an amount determined by the following formula:

$(MV - E) \times C$, where:

MV is the market value of a Share on the Maturity Date or such date as the Board may select falling within a period of 30 days of the Maturity Date or other relevant date as provided in rules 4 or 5

E is the SAR Price

C is the number of Units in respect of which the SAR is being settled

7.2 The Company may withhold an amount from the cash payment in 7.1 in respect of any tax or social security liability arising on the settlement of the SAR. The Company may make any other arrangements as it considers appropriate to ensure the recovery of any tax or social security liability arising including requiring the SAR Holder to transfer funds in satisfaction of any tax or social security liability arising.

7.3 The Company may at its discretion procure the satisfaction of its obligation under Rule 7.1 by the allotment or transfer of Shares to the SAR Holder (or a nominee for him). The number of Shares allotted or transferred shall be the number of Shares which could be acquired on the date of settlement with the cash payment specified in Rule 7.1. To calculate the number of Shares allotted or transferred, the market value of Shares shall be the closing middle market quotation as derived from the Stock Exchange daily official list. Shares will not be transferred to the extent that:-

- (a) the Board considers that the issue or transfer of the Shares would not be lawful in all relevant jurisdictions; or
- (b) a Participating Company is obliged to account for any tax or social security (in any jurisdiction) for which the person in question is liable by virtue of the settlement of the SAR, or would suffer a disadvantage if it were not to account for that tax, in which case the SAR Holder must comply with any such arrangements specified by the Company for the payment of any taxation including the sale by the Company (or a person nominated by the Company) SAR Holder's behalf of such number of the Shares allotted or transferred to the SAR Holder on settlement of his SAR which will satisfy such tax or social security liability.

7.4 Where Shares are delivered under rule 7.3, the Company shall (unless Shares are to be issued in an uncertificated form) as soon as practical deliver (or procure the delivery of) to the SAR or Option holder a definitive share certificate or other evidence of title in respect of such Shares.

7.5 Where Options have been granted under rule 2.8, rules 7.2, 7.3 and 7.4 shall apply to the exercise of that Option as considered appropriate by the Company.

8. RIGHTS ATTACHING TO SHARES ALLOTTED PURSUANT TO SARs AND OPTIONS

8.1 All Shares allotted pursuant to the settlement of any SAR, or exercise of any Option, shall, as to voting, dividend, transfer and other rights, including those arising on a liquidation of Rolls-Royce Holdings plc, rank *pari passu* in all respects and as one class with the Shares in issue save as regards any rights attaching to such Shares by reference to a record date prior to the date of allotment.

8.2 Any Shares acquired on the settlement of SARs or exercise of Options shall be subject to the articles of association of Rolls-Royce Holdings plc from time to time in force.

9. MISCELLANEOUS

9.1 Rolls-Royce Holdings plc shall at all times keep available for issue sufficient authorised but unissued Shares to permit exercise of all unexercised Options under which Shares may be allotted or shall otherwise procure that Shares are available for transfer in satisfaction of the exercise of Options.

9.2 Any notice or other communication under or in connection with this Plan may be given by electronic mail or messaging, fax, telephone, personal delivery or by sending it by post, in the case of a company to its registered office, and in the case of an individual to his last known address, or, where he is a director or employee of the Company or a Subsidiary or a Related Company, either to his last known address or to the address of the place of business at which he performs the whole or substantially the whole of the duties of his office or employment.

10. LISTING

The Company shall procure , at its expense, the application for and use its best endeavours to obtain listing for, and permission to deal on The Stock Exchange in Shares allotted pursuant to the settlement of any SAR.

11. LOSS OF OFFICE

If any SAR Holder shall cease to be an Eligible Employee for any reason he shall not be entitled by way of compensation for loss of office or otherwise howsoever to any sum or other benefit to compensate him for the loss of any rights under the Plan and by applying for an SAR he shall be deemed irrevocably to have waived any right or entitlement to such sum or other benefit.

12. POWERS OF THE BOARD

The decision of the Board shall be final and binding in all matters relating to the Plan and it may at any time discontinue the grant of further SARs or Options or amend any of the provisions of the Plan in any way it thinks fit: Provided that:

- (a) no amendment may be made for the benefit of Eligible Employees or SAR Holders to rules 2.2, 2.4, 2.5, 2.7, 3, 4, 5, 6, 7, 8, or 13 without the prior approval of the Company in general meeting.
- (b) Rule 12(a) above shall not apply to any minor alteration or addition to benefit the administration of this Plan, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for Participants, the Company, or any Subsidiary or Related Company.
- (c) for United States taxpayers (employees resident in the U.S. and all U.S. persons employed outside the U.S.), the Board intends to administer the Plan in accordance with Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations promulgated and any guidance issued by the Internal Revenue Service or the Treasury Department thereunder and reserves the right to make any changes to the terms of the Plan or any SARs thereunder in order to comply with Section 409A.
- (d) without prejudice to any provision of the Plan which provides for the lapse of an SAR, the Board may not cancel an SAR unless the SAR Holder agrees in writing to such cancellation.
- (e) except as herein provided, the Board shall not make any amendment other than pursuant to rule 12(b) that would materially prejudice the interests of existing SAR Holders except with such prior consent or sanction of SAR Holders as would be required under the provisions for the alteration of class rights contained in the articles of association of the company for the time being if the Shares to be allotted on the settlement of the outstanding SARs constituted a separate but single class of shares (or two or more classes of shares according to their respective Dates of Grant, as the Board may consider appropriate) and such shares were entitled to such rights.
- (f) The Board may establish appendices to, or sub-plans of, this Plan to take account of tax regulations or legal constraints in different Plan Locations. Any such appendices sub-plans or shall be subject to rule 3 of this Plan.

13. DURATION OF THE PLAN

Notwithstanding any other provision in the Plan, no Award may be granted under the Plan later than ten years after 2 May 2007.

14. GOVERNING LAW

The rules of the Plan and any non-contractual obligations arising out of or in connection with these rules shall be governed by and construed in accordance with English Law and the English courts shall have exclusive jurisdiction in relation to all disputes arising out of or in connection with the rules of the Plan.

SCHEDULE 1

US TAXPAYERS

This Schedule applies to an Option Holder who is a US Taxpayer and is granted an Option instead of a SAR.

Notwithstanding anything to the contrary contained in the Plan (or any Schedule to the Plan), no Option may be exercised later than 2.5 calendar months after the end of the Taxable Year in which the Option first becomes exercisable, provided that the Option shall lapse on the date it would have lapsed had this rule not applied. The rules of the Plan and any Schedule to the Plan shall be interpreted accordingly.

For the purposes of this Schedule:

1. Option Holder means an individual who is granted a SAR in the form of an Option under rule 2.8.
2. Taxable Year means the 12 month period in respect of which the Option Holder is obliged to pay US Tax or, if it would result in a longer period, the 12 month period in respect of which the company, to which the Option Holder provides services, is obliged to pay tax.
3. US Taxpayer means a person who is subject to taxation under the tax rules of the United States of America.

APPENDIX A

1. The sole purpose of this Appendix, which forms part of the Plan, is to ensure that the status of the Plan as an employees' share scheme (as defined in section 1166 of the Companies Act 2006) (*ESS*) is not prejudiced as a result of grants of options to employees of joint venture companies (being companies which are not subsidiaries for the purposes of section 1159 and schedule 6 of the Companies Act 2006) but which are eligible to participate in the Plan by virtue of the definition of Participating Company and Related Company).

2. Any Option granted to Eligible Employees who are employed by a Related Company that is a Participating Company (*JV Employees*):

- (a) shall be deemed to be granted under this Appendix. However, the rules of the Plan shall apply in full to Options;
- (b) shall be deemed to be granted outside the ESS which constitutes the remainder of the Plan, with the result that various exemptions accorded to options granted under an EES shall not apply to such options.