



# Rolls-Royce®

## RULES AND TRUST DEED

OF THE

## ROLLS-ROYCE SHAREPURCHASE PLAN

Board approval:	9 March 2021
Shareholders' approval <sup>1</sup> :	13 May 2021
HMRC reference:	XY1100000107377

**No newly issued shares or treasury shares may be used for new offers of awards under this Plan more than 10 years after shareholder approval, unless further shareholder approval is obtained.**



---

<sup>1</sup> Originally in a form approved by shareholders on 31 May 2001 for 10 years (with ref AI531), and further approved by shareholders on 6 May 2011 for an additional period of 10 years.

## Table of Contents

PLAN RULES.....	1
1. Meaning of words used .....	3
2. Purpose .....	5
3. Eligible Employees .....	5
4. Share dilution limit .....	7
5. Invitations .....	7
6. Free Shares.....	7
7. SharePurchase Shares .....	10
8. Matching Shares.....	13
9. Dividend Shares .....	14
10. Corporate events .....	16
11. Tax.....	16
12. Terms of employment.....	16
13. General.....	17
14. Administration.....	18
15. Changing the Plan and termination .....	19
16. Governing law and jurisdiction .....	21
SCHEDULE – TRUST DEED .....	22
1. Meaning of words used .....	22
2. Purpose and operation of the Trust.....	23
3. Trust Fund .....	23
4. Trustee's powers – general .....	23
5. Plan Shares .....	25
6. Cash dividends – general.....	27
7. Entitlements.....	27
8. Information and accounting for tax .....	28
9. Appointing and removing Trustees.....	28
10. Trustee remuneration, expenses and liability.....	29
11. Third party rights.....	30
12. Counterparts.....	30
13. Irrevocability .....	30
14. Termination.....	30
15. Governing law and jurisdiction .....	31

## Rolls-Royce SharePurchase Plan

### 1. Meaning of words used

#### 1.1 General

In these rules:

**“Accumulation Period”** means any period specified in accordance with rule 7.1.1;

**“Award”** means:

- (i) an award of Free Shares or Matching Shares to Participants; and/or
- (ii) an acquisition of SharePurchase Shares or Dividend Shares on behalf of Participants,

and **“awarded”** and **“awarding”** will be understood accordingly;

**“Award Date”** means the date on which Plan Shares are awarded, which, in the case of SharePurchase Shares or Dividend Shares, is in accordance with paragraphs 50(4), 52(5) or 66(4) of Schedule 2, as appropriate;

**“Board”** means the board of directors of the Company or a committee duly authorised by it;

**“Business Day”** means a day on which the London Stock Exchange is open for the transaction of business;

**“Company”** means Rolls-Royce plc with registered number 01003142;

**“Connected Company”** means any company which is connected (as defined in paragraph 18(3) of Schedule 2) with the Company;

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

**“Deed”** means the trust deed entered into between the Company and the Trustee dated 27 September 2002, establishing the Trust, as amended (a conformed copy of which is attached as a Schedule to these rules);

**“Dividend Shares”** means Shares awarded to Participants in accordance with rule 9 (Dividend Shares) and held by the Trustee under the terms of the Plan;

**“Eligible Employee”** means any person who meets the requirements of rule 3.1 (Eligibility);

**“Forfeiture Period”** means the period (if any) determined by the Board in accordance with rule 6.6 (Forfeiture Period) in relation to Free Shares, and rule 8.5 (Forfeiture Period) in relation to Matching Shares;

**“Forfeiture Provisions”** means the circumstances (if any) in which the Board decides that Shares may be subject to forfeiture as described in rule 6.7 (Forfeiture Provisions) in relation to Free Shares, and rule 8.6 (Forfeiture Provisions) in relation to Matching Shares;

**“Free Share Agreement”** means an agreement in respect of Free Shares as described at rule 6.3 (Free Share Agreements);

**“Free Shares”** means Shares awarded to Participants in accordance with rule 6 (Free Shares) and held by the Trustee under the terms of 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 **“Member of the Group”** will be understood accordingly;

**“HMRC”** means Her Majesty’s Revenue & Customs;

**“Holding Period”** means the period determined in accordance with rule 6.5 (Holding Period) in relation to Free Shares, rule 8.4 (Holding Period) in relation to Matching Shares, and rule 9.7 (Holding Period) in relation to Dividend Shares;

**“Initial Market Value”** means the Market Value of a Share on the Award Date;

**“ITEPA”** means the Income Tax (Earnings and Pensions) Act 2003;

**“Market Value”** on any day means:

- (i) when Shares are listed on the London Stock Exchange:
  - (a) if all the Shares to be awarded to Participants as Plan Shares are purchased by the Trustee in the market on the Award Date or over a period of 5 Business Days prior to and (as relevant) including the Award Date, the average of the purchase prices paid for those Shares; or
  - (b) in all other cases, the average of the price shown in the Stock Exchange Daily Official List as the closing price for 3 consecutive Business Days ending on the previous Business Day and for these purposes closing price means the closing price for the Shares on that day (or if two closing prices are shown, the lower price plus one-half of the difference between those two figures); or
- (ii) otherwise, the market value of a Share as determined in accordance with Part VIII of the Taxation of Chargeable Gains Act 1992 and agreed in advance with HMRC,

and if Shares are subject to a Restriction, Market Value will be determined as if the Shares were not subject to a Restriction;

**“Matching Shares”** means Shares awarded to Participants in accordance with rule 8 (Matching Shares) and held by the Trustee under the terms of the Plan;

**“Participant”** means any individual who has entered into a SharePurchase Agreement or to whom an Award has been awarded or, where the individual has died, the Participant’s personal representatives;

**“Participating Company”** means the Company and any company which is:

- (i) controlled by the Company (within the meaning of section 719 of ITEPA); and
- (ii) designated by the Board at the relevant time as a participating company for the purposes of the Plan;

**“PAYE”** means the system of tax withholding known as the ‘Pay As You Earn’ regime;

**“Performance Measure”** has the meaning given in rule 6.1.3;

**“Performance Unit”** has the meaning given in rule 6.1.3;

**“Plan”** means the plan constituted by these rules and the Deed and known as the Rolls-Royce SharePurchase Plan, as amended from time to time;

**“Plan Shares”** means Free Shares, SharePurchase Shares, Matching Shares and/or Dividend Shares and any shares treated as Plan Shares in accordance with paragraphs 87 or 88 of Schedule 2 (*Company reconstructions and rights issues*);

**“Relevant Employment”** means employment by the Company or any associated company (within the meaning in paragraph 94 of Schedule 2) of the Company;

**“Restriction”** means any restriction which limits the rights of the holder of Shares, within the meaning of paragraph 99(4) of Schedule 2;

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

**“Salary”** has the meaning given by paragraph 43(4) of Schedule 2;

**“Schedule 2”** means Schedule 2 to ITEPA;

**“Schedule 2 SIP”** means a share incentive plan in relation to which Parts 2 to 9 of Schedule 2 are met;

**“Share”** means a fully paid ordinary share in the capital of Rolls-Royce Holdings that meets the requirements of paragraphs 26 to 29 of Schedule 2;

**“SharePurchase Agreement”** means an agreement in respect of SharePurchase Shares (and, if relevant, Matching Shares) as described at rule 7.1 (SharePurchase Agreements) and rule 8.2 (Terms in SharePurchase Agreement);

**“SharePurchase Money”** means money deducted from a Participant's Salary in accordance with a SharePurchase Agreement, to be held in accordance with the Plan and used for the acquisition of SharePurchase Shares;

**“SharePurchase Shares”** means Shares awarded to Participants in accordance with rule 7 (SharePurchase Shares) and held by the Trustee under the terms of the Plan;

**“SIP Code”** means the relevant parts of the tax legislation governing the Plan as specified in section 488(3) of ITEPA;

**“Tax”** means any tax, national insurance contributions and other 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;

**“Tax Year”** means a UK tax year beginning on 6 April and ending on the following 5 April;

**“Trust”** means the Rolls-Royce SharePurchase Plan Trust, established by the Deed; and

**“Trustee”** means the trustee of the Trust, as defined in the Deed.

## **1.2 General 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. References to a “clause” mean a clause of the Deed.

## **1.3 Interpretation consistent with Schedule 2**

Words and expressions used in the Plan will have the meanings given in the SIP Code unless the context requires otherwise. The Plan will be interpreted consistently with Schedule 2.

## **2. Purpose**

The Plan is intended to operate as a Schedule 2 SIP. The Company has established the Plan to provide benefits to Eligible Employees and Participants in the form of Shares to give them a continuing stake in Rolls-Royce Holdings, and these benefits will only be provided in accordance with Schedule 2.

## **3. Eligible Employees**

### **3.1 Eligibility**

A person is an eligible employee for the purposes of the Plan (an **“Eligible Employee”**) if that person:

3.1.1 is a UK resident taxpayer, within the meaning of paragraph 8(2) of Schedule 2;

- 3.1.2 has continuous employment with one or more qualifying companies, within the meaning of paragraph 17 of Schedule 2, over any period determined by the Board under rule 3.3 (Qualifying period);
- 3.1.3 is an employee of a Participating Company on the following date:
- (i) in the case of Free Shares, the Award Date;
  - (ii) in the case of SharePurchase Shares where no Accumulation Period applies, the date of the deduction of SharePurchase Money;
  - (iii) in the case of SharePurchase Shares where an Accumulation Period applies, the date of the first deduction of SharePurchase Money; and
  - (iv) in the case of Matching Shares, the same date as for the SharePurchase Shares to which they relate; and
- 3.1.4 is not excluded as result of rule 3.2 (Excluded employees).

The Board may also permit any other person who satisfies rules 3.1.2 to 3.1.4 to participate in the Plan as an Eligible Employee.

### **3.2 Excluded employees**

A person will not be eligible to participate in an Award of Free Shares, SharePurchase Shares or Matching Shares in a Tax Year if that person is at the same time to participate (or is to be treated as participating under paragraph 18(2) of Schedule 2) in an award of shares under another Schedule 2 SIP established by the Company or a Connected Company (a “**Connected SIP**”).

Where a Participant is made an Award of Free Shares or SharePurchase Shares in a Tax Year in which the Participant has already been made an award of shares under a Connected SIP, then the limits referred to at rule 6.4 (Free Share Annual Limit) and rule 7.3 (Maximum deduction) will apply as if the Plan and the Connected SIP were a single plan.

A person’s entitlement to participate in an Award will not be affected by any rights or entitlements that the person has under any Schedule 2 SIP established by a company which is not a Connected Company.

If the Board so determines, employees who are on notice will not be considered Eligible Employees for the purposes of the Plan.

### **3.3 Qualifying period**

Individuals will be required to work for a qualifying period as determined by the Board for all Awards that are being operated under the Plan, unless the Board decides otherwise.

A qualifying period must be a period that does not exceed:

- 3.3.1 in the case of Free Shares, 18 months ending with the Award Date;
- 3.3.2 in the case of SharePurchase Shares and any related Matching Shares, where no Accumulation Period applies, 18 months ending with the deduction of SharePurchase Money; and
- 3.3.3 in the case of SharePurchase Shares and any related Matching Shares, where an Accumulation Period applies, 6 months ending with the start of the Accumulation Period.

In relation to an Award, the same qualifying period must apply in relation to all Eligible Employees but different qualifying periods may apply to different Awards.

## **4. Share dilution limit**

### **4.1 Share limit**

An Award may not be made that would cause 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 Rolls-Royce Holdings or any Member of the Group to exceed 10% of the ordinary share capital of Rolls-Royce Holdings in issue.

### **4.2 Calculating the number of Shares**

For the purposes of this rule 4 (Share dilution limit):

4.2.1 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 this Share limit; and

4.2.2 where there has been a variation in the share capital of Rolls-Royce Holdings, the number of Shares taken into account for the purposes of the Share limit will be adjusted as the Board considers appropriate to take account of the variation.

## **5. Invitations**

### **5.1 Invitation type**

The Board may issue invitations to Eligible Employees to participate in an Award of:

5.1.1 Free Shares; and/or

5.1.2 SharePurchase Shares; and

5.1.3 if there is an Award of SharePurchase Shares, Matching Shares.

### **5.2 Operation**

The Board has discretion to decide whether the Plan will be operated. When the Plan is operated, the Board must invite all Eligible Employees to participate, except that the Board can decide not to invite employees who are on notice to terminate their employment (and references in the Plan to Eligible Employees will be interpreted accordingly).

### **5.3 Participation on same terms**

Except for any differences caused by the application of rule 6.1 (Number of Free Shares), on each occasion that the Board decides to issue invitations to participate in the Plan, all Eligible Employees must:

5.3.1 be invited to participate on the same terms; and

5.3.2 for those Eligible Employees who do participate, actually participate on the same terms.

## **6. Free Shares**

### **6.1 Number of Free Shares**

Where there is an invitation to participate in an Award of Free Shares, the Board may specify that the number or value of Free Shares offered to each Eligible Employee is:

6.1.1 the same defined number or value of Free Shares; or

6.1.2 determined by reference to each Eligible Employee's:

- (i) remuneration;
- (ii) length of service; and/or
- (iii) hours worked,

in which case the same method must be used for all Awards of Free Shares on the same Award Date, and where Free Shares are awarded by reference to more than one factor set out in this rule 6.1.2, each factor will give rise to a separate entitlement to Free Shares and the total entitlement to Free Shares will be the sum of those separate entitlements; or

6.1.3 determined by reference to the performance (a "**Performance Measure**") of any designated part of the business within which an employee carries out their duties, which may be any company, section, department, unit or individual employee within the business (a "**Performance Unit**"), and either:

- (i) at least 20% of the Free Shares will be awarded without reference to a Performance Measure and in accordance with rules 5.3 (Participation on same terms) and either 6.1.1 or 6.1.2, and the remaining Free Shares will be awarded by reference to a Performance Measure, except that the highest number of Free Shares awarded to an Eligible Employee by reference to a Performance Measure will not be more than four times the highest number of Shares awarded to an Eligible Employee without reference to a Performance Measure; or
- (ii) some or all of the Free Shares will be awarded by reference to a Performance Measure, in which case the same terms must apply to all members of a Performance Unit, and Performance Measures applied to each Performance Unit must be comparable in terms of the likelihood of their being met by the Performance Units to which they apply.

## 6.2 Performance allowances – application

Where rule 6.1.3 applies:

- 6.2.1 rule 6.1.3(i) or 6.1.3(ii), as applicable, will be applied for all Eligible Employees who take part in the Award;
- 6.2.2 the Performance Measures, including any specific performance target, will be determined by reference to fair and objective measures, including business results or other objective criteria, over a designated period;
- 6.2.3 an Eligible Employee must not be a member of more than one Performance Unit; and
- 6.2.4 the Company must notify, as soon as reasonably practicable, each Eligible Employee:
  - (i) to whom an offer of Free Shares is made, in general terms, of the Performance Measures to be used to determine the number or value of Free Shares to be awarded, except that the Company does not have to disclose information it reasonably considers would prejudice commercial confidentiality; and
  - (ii) receiving a Free Share Award, of the Performance Measures to be used to determine the number or value of Free Shares subject to that Award, including any specific performance targets.

## 6.3 Free Share Agreements

6.3.1 As a condition of participating in an Award of Free Shares, the Board will decide either that:



- (i) the Eligible Employee must agree to the Award of Free Shares by completing and accepting a Free Share Agreement by a specified date (which must be prior to the Award Date but at least 14 days after the date the Free Share Agreement is issued); or
- (ii) the Eligible Employee will be deemed to have agreed to the Award of Free Shares on the terms of a Free Share Agreement unless the Eligible Employee opts out in the manner and by the date specified (which must be prior to the Award Date but at least 25 days after the date the Free Share Agreement is issued).

6.3.2 The terms of a Free Share Agreement will:

- (i) permit the Trustee to hold the Free Shares throughout the Holding Period;
- (ii) prohibit the Participant from assigning, charging or otherwise disposing of the Participant's beneficial interest in the Free Shares during the Holding Period;
- (iii) specify any Forfeiture Period and any Forfeiture Provisions that will apply to the Free Shares; and
- (iv) ensure that any Free Shares ceasing to be subject to the Plan are subject to rule 11.1 (Withholding).

#### **6.4 Free Share Annual Limit**

The total Initial Market Value of all Free Shares awarded to an Eligible Employee in any Tax Year will not exceed £3,600 or such other amount as is specified in paragraph 35(1) of Schedule 2.

#### **6.5 Holding Period**

A Holding Period of between 3 and 5 years (or such other period as may be permitted under paragraph 36(2) of Schedule 2), as decided by the Board, will apply to Free Shares commencing on the Award Date. The same Holding Period will apply to all Free Shares awarded in the same Award and cannot be increased in respect of Free Shares already awarded under the Plan.

#### **6.6 Forfeiture Period**

The Board may decide that an Award of Free Shares will be subject to a Forfeiture Period. If the Board decides that a Forfeiture Period will apply, the period will begin on the Award Date and end on such date as the Board decides. The same Forfeiture Period will apply to all Free Shares awarded in the same Award.

#### **6.7 Forfeiture Provisions**

The Board may decide that an Award of Free Shares will be subject to Forfeiture Provisions in specified circumstances or on the occurrence of specified events. In the event that Forfeiture Provisions are included in an Award, the same Forfeiture Provisions will apply to all Free Shares awarded in the same Award.

#### **6.8 Withdrawal of Free Shares**

A Participant may direct the Trustee to withdraw the Participant's Free Shares from the Plan at any time on or after the later of the expiry of the Holding Period and any Forfeiture Period, subject to the terms of the Free Share Agreement. The Trustee will then withdraw the Free Shares from the Plan as soon as practicable in accordance with the Participant's instructions.

#### **6.9 Ceasing Relevant Employment – Free Shares**

If a Participant ceases Relevant Employment, the Holding Period in respect of the Participant's Free Shares will cease to apply, the Free Shares will cease to be subject to the Plan and, as soon as practicable, they will be dealt with in accordance with the Participant's instructions.

## **7. SharePurchase Shares**

### **7.1 SharePurchase Agreements**

Where there is an invitation to participate in an Award of SharePurchase Shares, the Board will issue, to each Eligible Employee, a SharePurchase Agreement that must be accepted by the Eligible Employee as a condition of participating in the Award.

The SharePurchase Agreement will be given effect by deductions of SharePurchase Money from a Participant's Salary in accordance with the SharePurchase Agreement, and will:

- 7.1.1 specify if an Accumulation Period will apply and, if so:
  - (i) the date on which the first Accumulation Period begins, which must not be later than the date of the first deduction of SharePurchase Money;
  - (ii) the length of the Accumulation Period, which must not exceed 12 months;
  - (iii) the basis for calculating the number of Shares to be awarded to each Participant in accordance with rule 7.8.2;
  - (iv) if the Accumulation Period will terminate on the occurrence of a specified event, and any Accumulation Period must be the same for all Eligible Employees;
- 7.1.2 specify the amount and intervals of deductions of SharePurchase Money, in accordance with rules 7.2 (Minimum deduction) and 7.3 (Maximum deduction);
- 7.1.3 authorise the Eligible Employee's employer to deduct SharePurchase Money from the Eligible Employee's Salary;
- 7.1.4 include a notice containing prescribed information as to the possible effect of deductions on certain benefits, as required by paragraph 48 of Schedule 2;
- 7.1.5 include an undertaking by the Company to notify the Eligible Employee of any limit on the number of Shares to be included in an Award of SharePurchase Shares in accordance with rule 7.4 (Share offer limit);
- 7.1.6 require the Company to undertake to arrange for SharePurchase Shares to be awarded to the Eligible Employee in accordance with the Plan; and
- 7.1.7 ensure that any SharePurchase Shares ceasing to be subject to the Plan are subject to rule 11.1 (Withholding).

### **7.2 Minimum deduction**

The minimum amount of SharePurchase Money to be deducted on any occasion will not exceed £10 or such other minimum amount specified in paragraph 47(2).

### **7.3 Maximum deduction**

The maximum total deductions of SharePurchase Money for each Participant in any Tax Year will be the lesser of £1,800 and 10% of Salary or, if different, the annual limit specified in paragraphs 46(1) and 46(2) of Schedule 2.

Alternatively, the Board may specify a lower limit, which will apply to all Participants in the same Award.

### **7.4 Share offer limit**

The Board may specify the maximum aggregate number of Shares to be included in an Award of SharePurchase Shares, which will apply to all SharePurchase Shares in the same Award.

If the Company receives applications for SharePurchase Shares exceeding that maximum, or it becomes clear once all deductions of SharePurchase Money have been made that the maximum will be exceeded, the number of SharePurchase Shares received by each Participant will be proportionately reduced.

Each affected Participant will be notified of any change in accordance with this rule:

7.4.1 before the first deduction of the SharePurchase Money relating to the offer, if there is no Accumulation Period; and

7.4.2 before the beginning of the Accumulation Period, if there is one.

Each application for SharePurchase Shares will be deemed to be modified or withdrawn accordingly.

## **7.5 Frequency of purchases**

The Board will decide whether SharePurchase Shares will be awarded at regular intervals or on a one-off basis, or both.

## **7.6 Deductions of SharePurchase Money**

Deductions of SharePurchase Money will be transferred to the Trustee as soon as practicable, to be held by the Trustee on behalf of the Participant, until such time as it is applied by the Trustee to acquire SharePurchase Shares on behalf of the Participant or repaid to the Participant under any other rule of the Plan.

Any excess amounts deducted will be repaid to the Participant as soon as practicable.

## **7.7 Acquisition of SharePurchase Shares – no Accumulation Period**

If no Accumulation Period applies:

7.7.1 within 30 days after the last date on which SharePurchase Money is deducted from a Participant's Salary, the Trustee will use it (together with any SharePurchase Money carried forward under rule 7.7.3) to acquire SharePurchase Shares on behalf of the Participant;

7.7.2 the number of SharePurchase Shares to be awarded to each Participant will be determined in accordance with the Initial Market Value; and

7.7.3 any SharePurchase Money remaining after SharePurchase Shares have been awarded will be paid to each Participant as soon as practicable, unless the Participant agrees that it will be carried forward and added to the next amount of SharePurchase Money deducted from the Participant's Salary.

## **7.8 Acquisition of SharePurchase Shares – with Accumulation Period**

If an Accumulation Period applies:

7.8.1 within 30 days after the end of the Accumulation Period, the Trustee will use the SharePurchase Money deducted in the Accumulation Period (together with any SharePurchase Money carried forward under rule 7.8.3) to acquire SharePurchase Shares on behalf of the Participant;

7.8.2 the number of SharePurchase Shares to be awarded to each Participant will be determined by reference to whichever of the following is specified in the SharePurchase Agreement:

(i) the Market Value of a Share on the first day of the Accumulation Period;

(ii) the Initial Market Value; or

(iii) the lower of the amounts determined in accordance with rules 7.8.2(i) and 7.8.2(ii); and

7.8.3 any SharePurchase Money remaining after SharePurchase Shares have been awarded will be paid to each Participant as soon as practicable, unless the Participant agrees that it will be carried forward to the next Accumulation Period.

## **7.9 Transaction during an Accumulation Period**

This rule applies if, during an Accumulation Period, a transaction occurs in relation to any of the SharePurchase Shares to be awarded under a SharePurchase Agreement. If the transaction results in a new holding of shares being equated with those SharePurchase Shares for the purposes of capital gains tax, the Participant may agree that the SharePurchase Agreement is to have effect after the time of the transaction as if it were an agreement for the purchase of shares in the new holding.

## **7.10 Stopping and restarting deductions**

A Participant may give notice to the Company to stop deductions of SharePurchase Money at any time. Unless a later date is specified in the notice, the Company must ensure that no further deductions are made within 30 days after it receives the notice.

A Participant who has stopped deductions of SharePurchase Money may give notice to the Company to restart deductions. Unless a later date is specified in the notice, the Company must ensure that deductions are restarted no later than the date of the first deduction due under the SharePurchase Agreement that falls more than 30 days after the Company receives the notice.

A Participant who restarts deductions in accordance with this rule:

7.10.1 may not make up any deductions that have been missed while the deductions were stopped; and

7.10.2 may not restart deductions more than once during any Accumulation Period.

## **7.11 Varying deductions**

A SharePurchase Agreement may include provisions allowing the Participant to vary the amount or intervals of deductions of SharePurchase Money, subject to the limits set out in the Plan and the SharePurchase Agreement.

## **7.12 Withdrawal from SharePurchase Agreement**

A Participant may, by notice to the Company, withdraw from a SharePurchase Agreement. Unless a later date is specified in the notice, it will take effect 30 days after the Company receives it. Any SharePurchase Money held on behalf of a Participant at the time of withdrawal will be repaid to the Participant as soon as practicable.

A Participant may direct the Trustee to withdraw their SharePurchase Shares from the Plan, in which case the Trustee will withdraw them as soon as practicable in accordance with the Participant's instructions.

## **7.13 Ceasing Relevant Employment – SharePurchase Shares**

If a Participant ceases Relevant Employment:

7.13.1 the Participant's SharePurchase Shares will cease to be subject to the Plan and will, as soon as practicable, be dealt with in accordance with the Participant's instructions; and

7.13.2 any SharePurchase Money which has not been used to acquire SharePurchase Shares will be transferred to the Participant as soon as practicable, including where the cessation occurs during an Accumulation Period.

## **7.14 Time of ceasing employment**

If a Participant ceases Relevant Employment at any time during either of the following periods, the Participant will be treated as not having ceased Relevant Employment until immediately following the SharePurchase Shares being awarded at the end of the period:

- 7.14.1 where there is no Accumulation Period, the period beginning with the deduction of the SharePurchase Money and ending with the Award Date; and
- 7.14.2 where there is an Accumulation Period, the period beginning with the end of the Accumulation Period and ending with the Award Date.

## **7.15 No forfeiture**

SharePurchase Shares cannot be forfeited.

## **8. Matching Shares**

### **8.1 Matching Shares – general**

Matching Shares must be:

- 8.1.1 of the same class and carry the same rights as the SharePurchase Shares to which they relate;
- 8.1.2 awarded on the same day as the SharePurchase Shares to which they relate; and
- 8.1.3 awarded to all Eligible Employees participating in the Award of Matching Shares on exactly the same basis.

### **8.2 Terms in SharePurchase Agreement**

If the Board decides to award Matching Shares to Eligible Employees who enter into a SharePurchase Agreement, the SharePurchase Agreement issued to each Eligible Employee will:

- 8.2.1 contain information about the number of Matching Shares that will be awarded for each SharePurchase Share (being not more than 2 Matching Shares for every SharePurchase Share or not more than such other ratio as may be permitted by paragraph 60(2) of Schedule 2);
- 8.2.2 specify the circumstances and manner in which the ratio may be changed by the Board, in accordance with rule 8.3 (Matching ratio);
- 8.2.3 permit the Trustee to hold the Matching Shares throughout the Holding Period;
- 8.2.4 prohibit the Participant from assigning, charging or otherwise disposing of the Participant's beneficial interest in the Matching Shares during the Holding Period;
- 8.2.5 specify any Forfeiture Period and any Forfeiture Provisions that will apply to the Matching Shares; and
- 8.2.6 ensure that any Matching Shares ceasing to be subject to the Plan are subject to rule 11.1 (Withholding).

### **8.3 Matching ratio**

The Board may alter the ratio of Matching Shares to SharePurchase Shares at any time. The Company must give notice of any such change to all affected Participants as soon as possible (and in any event before an Award of SharePurchase Shares is made under the varied terms).

#### **8.4 Holding Period**

A Holding Period of between 3 and 5 years (or such other period as may be permitted under paragraph 36(2) of Schedule 2), as decided by the Board, will apply to Matching Shares commencing on the Award Date. The same Holding Period will apply to all Matching Shares awarded in the same Award and cannot be increased in respect of Matching Shares already awarded under the Plan.

#### **8.5 Forfeiture Period**

The Board may decide that an Award of Matching Shares will be subject to a Forfeiture Period. If the Board decides that a Forfeiture Period will apply, the period will begin on the Award Date and end on such date as the Board decides. The same Forfeiture Period will apply to all Matching Shares awarded in the same Award.

#### **8.6 Forfeiture Provisions**

The Board may decide that an Award of Matching Shares will be subject to Forfeiture Provisions in specified circumstances or on the occurrence of specified events. In the event that Forfeiture Provisions are included in an Award, the same Forfeiture Provisions will apply to all Matching Shares awarded in the same Award.

#### **8.7 Withdrawal of Matching Shares**

A Participant may direct the Trustee to withdraw the Participant's Matching Shares from the Plan at any time on or after the later of the expiry of the Holding Period and any Forfeiture Period, subject to the terms of the SharePurchase Agreement. The Trustee will then withdraw the Matching Shares as soon as practicable in accordance with the Participant's instructions.

#### **8.8 Ceasing Relevant Employment – Matching Shares**

If a Participant ceases Relevant Employment, the Holding Period in respect of the Participant's Matching Shares will cease to apply, the Matching Shares will cease to be subject to the Plan and, as soon as practicable, they will be dealt with in accordance with the Participant's instructions.

### **9. Dividend Shares**

#### **9.1 Dividend reinvestment**

The Board may at any time direct the Trustee to use some or all of the cash dividends paid in respect of Plan Shares to award Dividend Shares on behalf of:

9.1.1 all Participants; or

9.1.2 those Participants who have been invited, and elected, to reinvest their dividends.

The Board may revoke or amend this direction at any time.

Any direction given or amended under this rule 9.1 (Dividend reinvestment) must set out the amount of cash dividends to be applied in this way, or detail how the amount will be decided.

#### **9.2 Cash dividends**

Any cash dividends that are not being reinvested in Dividend Shares will be paid to Participants as soon as practicable in accordance with their holdings of Plan Shares.

#### **9.3 Award of Dividend Shares**

Where dividends are to be reinvested in Dividend Shares the Trustee will, within 30 days of receipt of the dividends, use them to acquire Dividend Shares on behalf of the Participant and, in doing so, must treat Participants fairly and equally.

Dividend Shares must be shares in the same company, of the same class and carry the same rights as the Plan Shares in respect of which the dividend is paid.

#### **9.4 Number of Dividend Shares**

The number of Dividend Shares to be awarded to each Participant will be determined in accordance with the Initial Market Value.

#### **9.5 Carry forward**

Any cash dividend amount remaining in the Trustee's hands after Dividend Shares have been awarded will be carried forward and added to the next amount of dividends (received in respect of the Participant's Plan Shares) to be reinvested in Dividend Shares.

#### **9.6 Terms in Free Share Agreement or SharePurchase Agreement**

Where dividends are to be reinvested in Dividend Shares, the Free Share Agreement and/or SharePurchase Agreement, as appropriate, will:

- 9.6.1 permit the Trustee to hold the Dividend Shares throughout the Holding Period;
- 9.6.2 prohibit the Participant from assigning, charging or otherwise disposing of the Participant's beneficial interest in the Dividend Shares during the Holding Period; and
- 9.6.3 ensure that any Dividend Shares ceasing to be subject to the Plan are subject to rule 11.1 (Withholding).

#### **9.7 Holding Period**

An Award of Dividend Shares will be subject to a Holding Period of 3 years (or such other period as may be permitted under paragraph 67 of Schedule 2), beginning on the Award Date.

#### **9.8 Withdrawal of Dividend Shares**

A Participant may direct the Trustee to withdraw the Participant's Dividend Shares from the Plan at any time on or after the expiry of the Holding Period, subject to the terms of the Free Share Agreement and/or SharePurchase Agreement, as appropriate. The Trustee will then withdraw the Dividend Shares from the Plan as soon as practicable in accordance with the Participant's instructions.

#### **9.9 Ceasing Relevant Employment – Dividend Shares**

If a Participant ceases Relevant Employment:

- 9.9.1 the Holding Period in respect of the Participant's Dividend Shares will cease to apply;
- 9.9.2 the Participant's Dividend Shares will cease to be subject to the Plan;
- 9.9.3 as soon as practicable, the Dividend Shares will be dealt with in accordance with the Participant's instructions; and
- 9.9.4 any dividend amounts carried forward will be transferred to the Participant as soon as practicable.

#### **9.10 No forfeiture**

Dividend Shares cannot be forfeited.

## **10. Corporate events**

A Participant may, during a Holding Period, direct the Trustee to:

- 10.1.1 accept an offer for the Participant's Plan Shares which, if accepted, would result in a new holding being equated with those Plan Shares for the purposes of capital gains tax;
- 10.1.2 accept an offer of cash (with or without other assets) or a qualifying corporate bond (whether alone or with other assets or cash or both) for the Participant's Plan Shares, in each case if the offer forms part of a general offer as identified in paragraph 37(5) of Schedule 2;
- 10.1.3 agree to a transaction affecting the Participant's Plan Shares if the transaction would be entered into as a result of a compromise, arrangement or scheme which meets the requirements in paragraph 37(3) of Schedule 2; or
- 10.1.4 exercise a right to sell the Participant's Plan Shares in connection with a takeover offer in accordance with paragraph 37(8) of Schedule 2.

## **11. Tax**

### **11.1 Withholding**

Any Member of the Group, Rolls-Royce Holdings, any employing company or the Trustee may make any withholding arrangements that it considers necessary or desirable to meet any liability for Tax (and to collect any reasonable dealing costs). Withholding arrangements may include making deductions from any cash payment owed to the Participant and/or selling on behalf of the Participant some or all of the Participant's Plan Shares.

### **11.2 Share transfer tax**

Any share transfer taxes arising on an award of Plan Shares will be payable by the Trustee (and reimbursed by the Company), unless the Board determines that Participants will cover them.

## **12. Terms of employment**

### **12.1 Meaning of "employee"**

For the purposes of this rule 12 (Terms of employment), "employee" includes any, existing or former, Eligible Employee or Participant.

### **12.2 Application**

This rule 12 (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.

### **12.3 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).

### **12.4 No future expectation**

Receiving an offer to participate in the Plan on a particular basis does not create any right to or expectation of receiving an offer on the same, or any other, basis (or at all) in the future.



## **12.5 Decisions and discretion**

The terms of the Plan do not entitle the employee to the exercise of any discretion in the employee's favour.

## **12.6 No compensation**

No employee has any right to compensation or damages for any loss (actual or potential) in relation to:

- 12.6.1 any loss or reduction of rights or expectations under the Plan in any circumstances (including lawful or unlawful termination of employment);
- 12.6.2 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
- 12.6.3 the operation, suspension, termination or amendment of the Plan.

## **13. General**

### **13.1 Data protection**

Participation in the Plan will be subject to:

- 13.1.1 any data protection policies applicable to any relevant Member of the Group or Rolls-Royce Holdings; and
- 13.1.2 any applicable privacy notices.

### **13.2 Consents and filings**

All allotments, issues and transfers of Shares will be subject to the articles of association of Rolls-Royce Holdings 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.

### **13.3 Source of Shares**

Plan Shares may be newly issued Shares, Shares transferred from treasury and 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 10<sup>th</sup> anniversary of shareholder approval of the Plan, unless further shareholder approval is obtained.

### **13.4 Listing**

If, and as long as, the Shares are listed on the London Stock Exchange, the Company will procure that Rolls-Royce Holdings applies as soon as practicable for the listing and admission to trading of any Shares issued in connection with the Plan.

### **13.5 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 Eligible 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 the address that the Board reasonably considers appropriate.

Any notice or other communication to be given to the Company or its agents may be delivered or sent to its registered office or any other place and by any means that the Board or the Company's agents may notify for this purpose.

Any notice or other communication to be given to the Trustee may be delivered by electronic means, personally delivered or sent by ordinary post to the address notified by the Trustee for this purpose.

Notices or other communications:

- 13.5.1 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);
- 13.5.2 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
- 13.5.3 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.

### **13.6 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 Eligible Employee, Participant, the Trustee, a Member of the Group or Rolls-Royce Holdings. 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.

### **13.7 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.

### **13.8 Bankruptcy**

A Participant's Award will lapse if the Participant becomes bankrupt.

### **13.9 Not pensionable**

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

## **14. Administration**

### **14.1 Administration of the Plan**

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

### **14.2 Board decisions**

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

The Board will decide whether and how to exercise any discretion in the Plan. When making any decisions, the Board will act fairly and reasonably.

### **14.3 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.

## **15. Changing the Plan and termination**

### **15.1 General power**

The Board may change the Plan in any way and at any time with the agreement of the Trustee. Any changes to the Deed must be effected by a deed.

No change to the Plan will be effective if, as a consequence, the Plan would:

- 15.1.1 infringe the rule against perpetuities; or
- 15.1.2 no longer be a Schedule 2 SIP, while it is intended to be a Schedule 2 SIP.

### **15.2 Shareholder approval**

The Company will obtain the prior approval of shareholders of Rolls-Royce Holdings 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:

- 15.2.1 the persons who may receive Shares under the Plan;
- 15.2.2 the total number or amount of Shares which may be delivered under the Plan;
- 15.2.3 the maximum entitlement for any Participant;
- 15.2.4 the basis for determining a Participant's entitlement to, and the terms of, Shares provided under the Plan and the rights of a Participant in the event of a capitalisation issue, rights issue or open offer, sub-division or consolidation of shares or reduction of capital or any other variation of capital of Rolls-Royce Holdings; and
- 15.2.5 this rule 15.2 (Shareholder approval).

### **15.3 Shareholder approval – exceptions**

The Board need not obtain shareholder approval for any changes to the Plan which are:

- 15.3.1 necessary to ensure the Plan complies with the SIP Code; and/or
- 15.3.2 minor and to:
  - (i) benefit the administration of the Plan;
  - (ii) comply with or take account of a change in legislation; and/or
  - (iii) obtain or maintain favourable tax, exchange control or regulatory treatment of any Member of the Group, Rolls-Royce Holdings, or any present or future Participant.

### **15.4 Participant consent**

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

### **15.5 Participant consent – exceptions**

The Board need not obtain Participant consent for any changes which are:

- 15.5.1 necessary to ensure the Plan complies with the SIP Code; and/or
- 15.5.2 minor and to:
  - (i) benefit the administration of the Plan;
  - (ii) comply with or take account of a change in legislation; and/or

- (iii) obtain or maintain favourable tax, exchange control or regulatory treatment of any Member of the Group, Rolls-Royce Holdings, or any present or future Participant.

## **15.6 Notice of change**

The Board will give written notice of changes to Participants whose Awards and/or Plan Shares are materially affected.

## **15.7 International variations**

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

- 15.7.1 those plans are subject to the limit in rule 4 (Share dilution limit); and
- 15.7.2 no individual will be entitled to more Shares under an overseas plan than the maximum entitlement under the Plan.

## **15.8 Termination of the Plan**

The Plan will terminate on the date the Board decides, although no Shares may be awarded under this Plan later than 27 September 2076 (74 years after the date of the Deed).

If the Board resolves to terminate the Plan, the Board will ensure that a termination notice is sent without delay to:

- 15.8.1 the Trustee;
- 15.8.2 each Participant who has Plan Shares; and
- 15.8.3 each individual who has entered into a SharePurchase Agreement that was in force immediately before the termination notice was issued.

## **15.9 Consequences of termination**

Once the Company has issued the termination notices under rule 15.8 (Termination of the Plan):

- 15.9.1 no further Shares will be awarded;
- 15.9.2 the Trustee must remove each Participant's Plan Shares from the Plan as soon as practicable after the date determined in accordance with rule 15.10 (Removal date), by either:
  - (i) transferring the Participant's Plan Shares to the Participant, or another person, in accordance with the Participant's instructions; or
  - (ii) disposing of the Participant's Plan Shares and accounting (or holding itself ready to account) for the proceeds to the Participant, or another person in accordance with the Participant's instructions; and
- 15.9.3 the Trustee must, as soon as practicable, ensure that any money held on the Participant's behalf is paid to the Participant.

## **15.10 Removal date**

The date referred to in rule 15.9.2, is:

- 15.10.1 the later of:
  - (i) the end of a 3 month period, or such other period specified in paragraph 90(4) of Schedule 2, starting on the day the termination notices required under rule 15.8 (Termination of the Plan) are issued; or

- (ii) the first date on which that Participant's Plan Shares may be removed from the Plan without income tax liabilities arising under sections 501 to 507 of ITEPA (*Charges connected with holding of shares / shares ceasing to be subject of plan*); or

15.10.2 an earlier date agreed with the Participant.

#### **15.11 HMRC notice of termination**

If HMRC issues a notice under paragraphs 81H or 81I of Schedule 2 (*Enquiries*) that the Plan is not a Schedule 2 SIP, the Trustee must, as soon as practicable after the "relevant day" (within the meaning given in paragraph 56 of Schedule 2), ensure that any money held on the Participant's behalf is paid to the Participant.

#### **16. 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.

## SCHEDULE – TRUST DEED

### IN RELATION TO THE

### ROLLS-ROYCE SHAREPURCHASE PLAN TRUST

CONFORMED COPY dated [ ] 2021

This Deed was originally made on 27 September 2002

#### Between:

- (1) **ROLLS-ROYCE PLC**, a company incorporated in England with registered number 01003142, whose registered office is at Kings Place, 90 York Way, London, United Kingdom, N1 9FX (the “**Company**”); and
- (2) **COMPUTERSHARE TRUSTEES LIMITED**, a company incorporated and registered in England with registered number 03661515, whose registered office is at The Pavilions, Bridgwater Road, Bristol, BS13 8AE (the “**Original Trustee**”).

#### Background

The Company wishes to establish a trust to facilitate the acquisition and holding of Shares under the Plan, and to comply with the requirements of Schedule 2, on the terms of this Deed. The Original Trustee has agreed to be the first trustee of the Trust.

#### Operative parts

### 1. Meaning of words used

#### 1.1 General

In this Deed:

“**Rules**” means the rules of the Rolls-Royce SharePurchase Plan, as amended from time to time;

“**Trust**” means the trust constituted by this Deed and known as the Rolls-Royce SharePurchase Plan Trust, as amended from time to time;

“**Trustee**” means the Original Trustee or other trustee of the Trust at that time;

“**Trust Fund**” means the assets held on the terms of the Trust from time to time, except any assets held beneficially on behalf of a specified Participant; and

“**Unallocated Shares**” means Shares included in the Trust Fund that are not held on behalf of a specified Participant.

Otherwise, words and expressions in capitals that are not defined in this Deed have the meaning given in the Rules, unless the context requires otherwise.

#### 1.2 Interpretation

In this Deed, 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. Purpose and operation of the Trust**

### **2.1 Purpose of the Trust**

The Trustee will hold the Trust Fund on trust for the benefit of Participants in accordance with the Plan.

### **2.2 Trustee obligations**

The Trustee agrees to comply with its obligations under the Plan and Schedule 2, and will deal with all Plan Shares accordingly.

### **2.3 Receipt of money or money's worth**

If the Trustee receives any money or money's worth in respect of a Participant's Plan Shares, the Trustee will pay it over to the Participant as soon as practicable:

- 2.3.1 unless it consists of new shares within the meaning of paragraph 87 of Schedule 2;
- 2.3.2 unless paragraphs 62 to 69 of Schedule 2 (*Cash dividends and dividend shares*) require otherwise;
- 2.3.3 subject to the Trustee's obligations under sections 510 – 514 of ITEPA (*PAYE*); and
- 2.3.4 subject to any PAYE obligation of the Trustee within the meaning of paragraph 99(1) of Schedule 2.

### **2.4 Reliance on information**

The Trustee will, in the absence of manifest error, be able to rely without further enquiry on any information or documents provided by any Participating Company or any Participant to enable the Trustee to fulfil its obligations under this Deed and the Trustee will not be liable to any Participant or any Participating Company for any loss arising in consequence of the incompleteness or inaccuracy of that information or those documents.

### **2.5 Share limits**

The Trustee may not hold or acquire more than 5% of the Shares in issue.

## **3. Trust Fund**

### **3.1 Initial contribution**

The Company has made a contribution to the Original Trustee for the purposes of establishing the Trust.

### **3.2 Further contributions**

Further contributions may be made to the Trust in any form. The Company will pay to the Trustee any sums required to acquire Shares in accordance with the Plan, including any associated costs.

### **3.3 Forming the Trust Fund**

All contributions, together with any income arising from them and any assets in which they are invested, will be held on the terms of the Trust as part of the Trust Fund.

## **4. Trustee's powers – general**

### **4.1 Acquisition of Shares**

The Trustee may use the Trust Fund to acquire Shares to be held as Unallocated Shares for the purposes of the Plan.

## **4.2 Selling Shares to pay Tax**

If a liability to Tax arises in relation to a Participant's Plan Shares, for which the Trustee is liable to account through PAYE (including under sections 510 to 512 of ITEPA (*PAYE*)), the Trustee can meet the obligation:

- 4.2.1 by disposing of any of those Shares (or any of the Participant's other Plan Shares); or
- 4.2.2 by the Participant paying cash to the Trustee to discharge the obligation.

A disposal of Shares would include the Trustee purchasing the Shares for Market Value.

## **4.3 General powers**

The Trustee has the power, with the agreement of the Company:

- 4.3.1 to borrow funds to acquire Shares for the purposes of the Plan;
- 4.3.2 to deal with the Trust Fund as necessary or desirable, subject to the Trustee's obligations in relation to the Plan; and/or
- 4.3.3 to pay any other reasonable expenses or fees (including for obtaining professional advice) incurred by the Trustee and the Trustee may sell any Unallocated Shares for the purpose of meeting such reasonable expenses or fees.

## **4.4 Voting – obligation on Company**

The Company will notify the Trustee as soon as reasonably practicable in advance where there is any Company event or action that gives rise to Participants being entitled to vote or exercise other rights attaching to Plan Shares.

## **4.5 Voting – obligation on Trustee**

Subject to clause 4.4 (Voting – obligation on Company) the Trustee will seek irrevocable directions from each Participant as to the manner in which the Trustee should exercise any voting or other rights attaching to Plan Shares held by the Trustee on their behalf. In particular, the Trustee:

- 4.5.1 will abstain from voting in relation to a Participant's Plan Shares, if the Trustee has not received the Participant's written direction by the deadline specified by the Trustee;
- 4.5.2 will not be entitled to vote on a show of hands on a resolution in respect of any Plan Shares unless all directions received from Participants, who have given directions in respect of that resolution, are identical;
- 4.5.3 will not be under any obligation to call for a poll but if there is a poll, the Trustee will vote only in accordance with the directions of Participants who have given directions and will not exercise voting rights in respect of Plan Shares where no directions have been received from Participants in respect of those Plan Shares; and
- 4.5.4 will abstain from voting on any Unallocated Shares.

## **4.6 Making regulations**

The Trustee may make such regulations relating to its rights and obligations for administering the Plan as it considers necessary or desirable.

## **4.7 Delegation of powers and duties**

The Trustee may:

- 4.7.1 delegate to any person the exercise of any powers and obligations of the Trustee, except this power of delegation;



- 4.7.2 allow any part of the Trust Fund to be held in the name of a nominee on behalf of the Trustee;
- 4.7.3 seek, and act on, the advice of professional persons or advisers and, in the absence of the Trustee acting negligently, fraudulently or with misconduct or wilful default, shall not be responsible for any loss occasioned by so acting. The Company shall meet the expenses of such advice to the extent that the same are agreed in advance by the Trustee and the Company (such agreement may not be unreasonably refused, withheld or delayed); and
- 4.7.4 at any time, and will if directed by the Company, revoke any delegation or arrangement made under this clause.

If the Trustee delegates any powers or obligations in relation to the Plan, that will not relieve the Trustee of any obligation imposed on the Trustee under the Plan.

## **5. Plan Shares**

### **5.1 SharePurchase Shares**

If the Company instructs the Trustee to make an Award of SharePurchase Shares, the Trustee will comply with the Company's instructions.

### **5.2 Holding and application of SharePurchase Money**

The Trustee will:

- 5.2.1 accept SharePurchase Money and hold those funds upon trust on behalf of the Participant, but will not be obliged to deposit those funds in an interest-bearing account;
- 5.2.2 hold SharePurchase Money in an account with a person, firm or building society as set out in paragraph 49(3) of Schedule 2;
- 5.2.3 account to each Participant for any interest earned on the Participant's SharePurchase Money, if the money is held in an interest-bearing account;
- 5.2.4 deal with each Participant's SharePurchase Money in accordance with the Plan;
- 5.2.5 apply SharePurchase Money to award SharePurchase Shares; and
- 5.2.6 hold SharePurchase Shares upon trust for the benefit of the Participant; and
- 5.2.7 deal with a Participant's SharePurchase Shares and any rights attaching to those Shares in accordance with the Plan.

### **5.3 Surplus SharePurchase Money**

Any surplus SharePurchase Money remaining after an Award of SharePurchase Shares may, with the agreement of the Participant, be carried forward by the Trustee but, in any other case, must be paid to the Participant as soon as practicable.

Any SharePurchase Money held on a Participant's behalf will be paid over to the Participant as soon as practicable if the Participant ceases Relevant Employment, withdraws from a SharePurchase Agreement or if the Company issues a notice to terminate the Plan.

### **5.4 Free and Matching Shares**

If the Company instructs the Trustee to make an Award of Free Shares or Matching Shares, the Trustee will comply with the Company's instructions to the extent that the Trust Fund is sufficient to do so. The Trustee may use the Trust Fund to acquire Shares to be held as Free Shares or Matching Shares for the purposes of the Plan.

## 5.5 Dividend Shares

If the Company or, with the agreement of the Company, a Participant instructs the Trustee to use cash dividends paid in respect of Plan Shares to award Dividend Shares, the Trustee will comply with those instructions.

## 5.6 Carry forward of cash dividends

Any cash dividend amount remaining in the Trustee's hands after Dividend Shares have been awarded will be carried forward and added to the next amount of dividends (received in respect of the Participant's Plan Shares) to be reinvested in Dividend Shares but, in any other case, must be paid to the Participant as soon as practicable. The Trustee:

- 5.6.1 will hold any amount of carried forward cash dividends so it is separately identifiable;
- 5.6.2 is not obliged to deposit carried forward cash dividends in an interest-bearing account; and
- 5.6.3 will pay any amount of carried forward cash dividends to the Participant as soon as practicable if:
  - (i) the Participant ceases Relevant Employment;
  - (ii) the Company issues a notice to terminate the Plan; or
  - (iii) the cash dividends are no longer required to be retained for reinvestment in Dividend Shares.

## 5.7 Award Notice

As soon as practicable after the Trustee has awarded any Plan Shares, the Trustee will give each Participant receiving Plan Shares on that occasion a notice, in a form agreed between the Company and the Trustee, that meets the requirements of paragraph 75 of Schedule 2. The notice will include:

- 5.7.1 the number and description of the Shares;
- 5.7.2 if the Shares are subject to a Restriction, details of the Restriction;
- 5.7.3 in the case of any Free Shares, Dividend Shares or Matching Shares, the Holding Period applicable to the Shares;
- 5.7.4 in the case of any Free Shares or Matching Shares, the Initial Market Value of the Shares;
- 5.7.5 in the case of any SharePurchase Shares:
  - (i) the amount of SharePurchase Money applied by the Trustee in acquiring the Shares;
  - (ii) the Market Value of a Share used to determine the number of SharePurchase Shares awarded in accordance with Rule 7.7 (Acquisition of SharePurchase Shares – no Accumulation Period) or Rule 7.8 (Acquisition of SharePurchase Shares – with Accumulation Period); and
  - (iii) the amount of any surplus SharePurchase Money carried forward; and
- 5.7.6 in the case of any Dividend Shares:
  - (i) the Market Value of a Share used to determine the number of Dividend Shares awarded in accordance with Rule 9.4 (Number of Dividend Shares); and
  - (ii) the amount of any carried forward cash dividend.

## **5.8 Effect of Holding Period**

The Trustee will not dispose of any Free Shares, Matching Shares or Dividend Shares held on behalf of a Participant during the Holding Period, unless the Participant has at that time ceased to be in Relevant Employment or as allowed by paragraphs 37, 77, 79 and 90(5) of Schedule 2.

## **5.9 Participant instructions**

The Trustee will only dispose of a Participant's Plan Shares and deal with any rights to be allotted other shares, securities or rights conferred in respect of a Participant's Plan Shares in accordance with directions given by or on behalf of the Participant, subject to clauses 4.2 (Selling Shares to pay Tax) and 5.8 (Effect of Holding Period).

## **6. Cash dividends – general**

### **6.1 Foreign cash dividends**

If the Trustee receives a cash dividend on Plan Shares paid by a company not resident in the UK, the Trustee will give the Participant notice of any amount of foreign tax already deducted.

### **6.2 Dividend waiver**

The Trustee waives any right to dividend payments in respect of Unallocated Shares (the “**Dividend Waiver**”) and the Trustee will not be liable for any loss to the Trust Fund as a result.

The Dividend Waiver will not apply (and the Trustee will not be taken to have waived its rights to receive dividends) throughout any period (the “**Dividend Period**”) where the Company has given notice in writing to the Trustee that the Dividend Waiver will not apply. A Dividend Period cannot commence before the date the notice is received by the Trustee.

## **7. Entitlements**

### **7.1 Rights issues**

If Rolls-Royce Holdings makes an offer conferring any rights on holders of Shares to acquire, for payment, additional shares, securities or rights, the Trustee will allocate the rights in proportion to the number of Plan Shares held on behalf of each Participant. The Trustee will not be required to exercise any rights attributable to a Participant's Plan Shares unless the Participant:

7.1.1 has paid the full amount payable (if any) for exercise of the rights; or

7.1.2 has authorised the Trustee to sell sufficient of the rights, nil paid, to pay the full amount to acquire the balance of the rights.

The Trustee will take no action in relation to the rights unless it has received instructions (and any necessary funds) from the Participant at least 5 Business Days (or a later date determined by the Trustee) before the last day on which the rights may be exercised.

### **7.2 Other entitlements**

Where new rights or securities by way of capitalisation are to be allotted in respect of Plan Shares, the Trustee will allocate the rights or securities in proportion to the number of Plan Shares held on behalf of each Participant.

The Trustee will use its best endeavours to sell any balance of rights or securities relating to Plan Shares which are not able to be allocated and will distribute the net proceeds of sale (after deducting any expenses of sale and any Tax which may be payable) among the Participants whose allocation was rounded down, provided that any sum of less than £3 otherwise payable to a particular Participant may be retained by the Trustee.

### **7.3 Treatment of new securities**

In any circumstances in which the Trustee receives new shares, securities or rights which are deemed to be Plan Shares, the Trustee will treat them as awarded to the Participants on the Award Date(s) of the Plan Shares to which they relate.

If an allocation would give rise to a fraction of a share or security the Trustee will round that allocation up or down in their discretion to the next whole share or security.

## **8. Information and accounting for tax**

### **8.1 Requirement to maintain records**

The Trustee will maintain records as may be necessary to enable it or an existing or former employing company to carry out its PAYE obligations (including under sections 510 to 514 of ITEPA (*PAYE*)) and will provide any information to the employing company as the Company reasonably requires.

The Trustee will also maintain records of Participants who are participating or have participated in one or more other Schedule 2 SIPs established by the Company or a Connected Company.

### **8.2 PAYE accounting**

Unless section 511 or 514 of ITEPA (*PAYE deductions to be made by trustees*) applies, the Trustee will ensure that Participating Companies (and/or other existing or former employing companies) receive any:

8.2.1 amounts deducted from payments made pursuant to the Plan; and/or

8.2.2 any capital receipt (within the meaning in section 502 of ITEPA) that constitutes employment income in respect of PAYE withholdings,

in sufficient time for them to account for the amounts to HMRC.

### **8.3 Accounting for tax**

The Trustee will account to HMRC or other authority concerned for any amounts required to be deducted in accordance with sections 511 or 514 of ITEPA.

### **8.4 Duty to notify Participants in relation to tax**

The Trustee will inform each Participant of any facts relevant to determining any liability of that Participant to income tax (whether under ITEPA or Chapter 3 or Chapter 4 of Part 4 of the Income Tax (Trading and Other Income) Act 2005) or to national insurance contributions by reason of an occurrence of an event.

## **9. Appointing and removing Trustees**

### **9.1 Number of persons**

The minimum number of persons to be Trustee of the Trust will be one corporation or two individuals.

If the number of persons to be Trustee is reduced below the minimum number, the remaining persons constituting the Trustee may, with the written consent of the Company, continue to exercise all the powers of Trustee until the minimum number is appointed.

There is no limit on the number of persons that may be Trustee, but if there is more than one person, decisions will be made by a majority.

## 9.2 Power to appoint or remove Trustees

The Company may:

- 9.2.1 appoint new or additional persons to act as Trustee; and/or
- 9.2.2 remove any persons acting as Trustee and the removal will (in the absence of any other date specified in the notice), take effect on not less than 3 months' notice.

The Company is not required to give any reason for the exercise of this power.

The Trustee will have the power to appoint or remove any persons acting as Trustee if the Company ceases to exist, other than where that occurs as a result of a takeover (as mentioned in paragraph 37 of Schedule 2) or a company reconstruction (as mentioned in paragraph 86 of Schedule 2). In the case of such a takeover or company reconstruction, the successor company (or if more than one, each successor company the Company nominates), will have the power.

## 9.3 Retirement

If a person wishes to retire as Trustee, they may do so by giving at least 3 months' notice in writing to the Company. The Company may agree to a shorter period.

On the expiry of the notice period, the retiring Trustee will cease to be a Trustee, unless at that time there would be no person left as Trustee.

If there is no person to whom the notice could be addressed, the retiring Trustee will have the power to appoint a new person to act as Trustee upon its retirement.

## 9.4 Outgoing Trustee

An outgoing Trustee will do all things necessary to vest the Trust Fund and all other Trust property in the continuing or new Trustee.

## 9.5 Residence of the Trustee

The Trustee will at all times be resident in the United Kingdom for tax purposes.

## 10. Trustee remuneration, expenses and liability

### 10.1 Remuneration

A corporate Trustee will be entitled to reasonable remuneration, charges or disbursements for its services as Trustee in accordance with the terms and conditions of the service agreed with the Trustee. A Trustee will not be liable to account to Participants for that remuneration, charges or disbursements.

A Trustee who is a solicitor or other professional will be entitled to charge and be paid for all normal professional or other charges for services provided, or time spent personally or by such Trustee's firm, in the operation of the Trust.

### 10.2 Indemnity

The Company covenants with the Trustee and every director, officer or employee of a body corporate acting as Trustee (the "**Indemnified Persons**") jointly and severally for themselves and as trustees for their successors in title that it will at all times keep the Indemnified Persons and their successors in title as Trustee and each of their estates fully indemnified against all claims, losses, demands, actions, proceedings, charges, expenses, costs, damages, taxes, duties and other liabilities (together, "**Liabilities**") that are suffered or incurred by it as Trustee, other than Liabilities:

- 10.2.1 arising as a consequence of fraud, misconduct, wilful default or negligence of the Indemnified Persons; or

10.2.2 capable of being discharged at the expense of the Trust Fund.

### **10.3 Indemnities at law**

The Trustee has the benefit of all indemnities conferred on trustees by the Trustee Acts of 1925 and 2000 and generally by applicable law.

### **10.4 Paying expenses and liabilities**

All expenses and liabilities incurred by the Trustee and each officer or employee of any corporate Trustee, in the operation of the Trust, will be met out of the Trust Fund (if the assets of the Trust Fund are sufficient) or by the Company, unless they fall within clause 10.2.1.

### **10.5 Interests in the Group**

A Trustee will not be precluded from dealing in any securities of, or entering into any contract or other transaction with, Rolls-Royce Holdings or any Member of the Group or any other companies that Rolls-Royce Holdings or any Member of the Group may be interested in. The Trustee will not be liable to account to the Company, any Member of the Group, or any Participant, for any profits made, fees, commissions, discounts allowed or advantages obtained in connection with such activity.

## **11. Third party rights**

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

## **12. Counterparts**

This Deed may be executed in one or more counterparts, each of which, when executed, will be an original and together constitute one and the same instrument.

## **13. Irrevocability**

The trusts declared in this Deed are irrevocable.

## **14. Termination**

### **14.1 Termination of the Trust**

The Trust will continue for a period of 80 years commencing on the date of this Deed except where the Plan is terminated under Rule 15 (Changing the Plan and termination), in which case the Trust will be wound up subject to the Trustee's compliance with that Rule.

After a Plan termination notice has been issued, the Trustee will act in accordance with Rule 15.9 (Consequences of termination).

### **14.2 Residue of Trust Fund**

If any assets (including Unallocated Shares and cash) remain in the Trust Fund at a time when the Trust no longer holds any Plan Shares, those assets will, to the extent the Board directs, cease to be part of the Trust Fund. If the Board so directs, the Trustee will (after paying any expenses and liabilities of the Trustee):

14.2.1 sell any Unallocated Shares and other assets;

14.2.2 hold any cash on trust; and

14.2.3 apply the net proceeds of sale, the cash and any remaining assets not sold for the benefit of the Company and any current or former Participating Companies whose employees are Participants in such proportions, having regard to their respective contributions to the Trust Fund, as the Board directs.

## **15. Governing law and jurisdiction**

The laws of England and Wales govern this Deed and the Trust, and the courts of England and Wales have exclusive jurisdiction in respect of any disputes arising in connection with this Deed and the Trust.