

**Rolls-Royce plc**

**Summary of the  
Rules of the  
Rolls-Royce Long Term Incentive Plan**

**The date of this summary is February 25, 2025**

## **TABLE OF CONTENTS**

<b>Section</b>	<b>Description</b>	<b>Page</b>
A	Introduction	3
B	Granting Awards	4
C	Vesting of Awards	5
D	Satisfaction of Awards	6
E	Holding Periods	7
F	Investigations	7
G	Dealing Restrictions	7
H	Leaving	8
I	Company Events	8
J	Changing the Plan and Termination	9
K	General	10

## A. INTRODUCTION

This summary, or guide, summarizes the material terms of the Rules (the **Rules**) of the Rolls-Royce Holdings plc (**Company**) Long Term Incentive Plan (the **Plan**). The guide is subject to and qualified by the terms and conditions of, but does not form part of, the Rules. A copy of the Rules is accessible in the “Documents” section of the Equiniti website at [www.esp-portal.com/clients/rolls-royce](http://www.esp-portal.com/clients/rolls-royce).

The Plan is a stock incentive plan under which we may offer to eligible persons a conditional right to acquire (an **Award**) fully paid ordinary shares in the capital of Rolls-Royce Holdings plc (**Shares**) (**The Company**).

The Plan was approved by the Board of Directors of Rolls-Royce Holdings on February 21, 2024 and by shareholders at the AGM on May 23, 2024.

1. Purpose of the Plan. The Plan is intended:
  - to incentivise superior Company performance based on sustained growth in shareholder value;
  - to create a close identity of interests between shareholders of Rolls-Royce Holdings and persons who have received an Award under the Plan (**Participants**);
  - to provide an opportunity to build employee shareholding in Rolls-Royce Holdings; and
  - to support retention of Plan Participants.
2. US Participants. The provisions of the Plan have been altered for Awards granted to US Participants so the Awards qualify for an exemption from the requirements of Section 409A of the US Internal Revenue Code of 1986, as amended, and the US Treasury Regulations promulgated and other official guidance issued thereunder (collectively, **Section 409A**); and also to satisfy the requirements of section 25102(o) of the California Corporate Securities Law of 1968, as amended, and the regulations issued by the California Commissioner of Corporations; and also to satisfy all conditions of Rule 701 of the US Securities Act of 1933, as amended from time to time. The Plan, including the schedules, shall be administered and interpreted consistently with such intention.
3. Persons eligible to participate in the Plan. Any employee or executive director of a company in the Rolls-Royce group (**Member of the Group** or **Group**) who, on the date the Award is granted is not under notice, given or received, is eligible to participate in the Plan, subject to the absolute discretion of the Company.
4. Administration of the Plan. The Plan is administered by the remuneration committee (the **Committee**) on behalf of the Board of Directors of Rolls-Royce Holdings. The decision of the Committee on the interpretation of the Plan or in any dispute relating to an Award or matter relating to the Plan will be final and conclusive.
5. Term of the Plan. Awards may be granted under the Plan only during a 10-year period beginning on May 23, 2024 and ending on May 23, 2034 unless it is

terminated earlier by the Committee in accordance with the Rules of the Plan. Termination will not affect subsisting rights under the Plan.

## **B. GRANTING AWARDS**

1. Terms of Awards. Awards must be granted by deed or in any other way that ensures that the Awards are contractually enforceable. The terms of an Award, as determined by the Committee, must include: (a) the grant date, (b) the number of Shares subject to the Award, or the basis on which the number of Shares will be calculated, (c) the expected vesting date (or dates), (d) if the Award is subject to any performance conditions, details of those performance conditions, including any related performance periods, (e) details of any other conditions specified, including whether the Participant may be required to enter into any election for a particular tax and/or social security treatment in respect of an Award and/or any Shares and any consequences of failing to make the election (f) details of any holding period that will apply, (g) whether the Participant is required to accept the grant of the Award and if so, the procedure for accepting it; (h) in relation to an Award granted to an executive director of the Company, the post-termination restriction period (if not 12 months) and (i) the extent to which the Rolls-Royce Group Malus and Clawback Policy, as amended from time to time (the **Malus and Clawback Policy**) is disapplied in respect of Awards made to Participants who are not executive directors of the Company or to buyout awards.
2. Conditions attached to the Award. The vesting of Awards granted to executive directors of the Company will be conditional on the satisfaction of one or more performance conditions unless the Award is a buyout award.

For other Participants, the Committee may make the vesting of Awards conditional on the satisfaction of one or more performance conditions. Any performance conditions must be specified at the time of grant. An Award will lapse to the extent that the performance conditions are not satisfied.

The Committee may impose other conditions, which must be objective and specified at the time of grant and may provide that an Award will Lapse to the extent that such other conditions are not satisfied.

3. Amendment of conditions. The Committee may replace or vary a performance condition or other condition applicable to an Award in accordance with its terms or if anything happens that causes the Committee to determine that the performance condition or other condition has ceased to be appropriate. Any replaced or varied performance condition or other condition will, in the opinion of the Committee, be fair, reasonable, and materially no less difficult to satisfy than the original performance condition or other condition was intended to be at the grant date. The Committee will notify any relevant Participant as soon as practicable after any such replacement or variation has taken place. For Awards granted to US Participants, the Committee will not take any actions if such actions would cause such Awards to no longer qualify for the short-term deferral exemption under Section 409A.
4. No payment. A Participant is not required to pay for the grant of any Award.

5. Disclaimer of Award. The Committee may allow Participants to disclaim all or part of an Award within a specified period. If this happens, the Award will be deemed never to have been granted under the Plan. A Participant is not required to pay for the disclaimer.
6. Dividend equivalents. Unless the Committee determines otherwise, an Award will not be increased to reflect any dividends paid by the Company by reference to a record date prior to the date on which the underlying Shares are issued or transferred to the Participant.
7. Malus and Clawback. Unless the Committee determines otherwise, the Malus and Clawback Policy will apply to all Awards granted under the Plan. In the event of any discrepancy between the Malus and Clawback Policy and the Plan, the Malus and Clawback Policy will prevail.
8. Shareholding Policy. Where a Participant is subject to the Shareholding Policy, the Shareholding Policy will apply to the Participant's Awards and any shares acquired pursuant to those Awards. If there is any discrepancy between the Malus and Clawback Policy and the Plan, the Malus and Clawback Policy will prevail.
9. Liability for tax. By participating in the Plan, a Participant to be responsible for and bear liability for any tax.
10. US Tax Overview. A US Participant generally will not recognize taxable income for US income tax purposes upon the grant of an Award. Instead, the US Participant will recognize as ordinary income the amount of any cash delivered, and the fair market value of any Shares delivered in payment of an amount due under an Award. The ordinary income the US Participant recognizes will be subject to applicable tax withholding, as described in E1 below. Upon selling any Shares received by a US Participant in payment of an amount due under an Award, the US Participant generally will recognize a capital gain or loss in an amount equal to the difference between the sale price of the Shares and the US Participant's tax basis.

State and local tax consequences may in some cases differ from the federal tax consequences. In addition, Awards under the Plan may be made to employees who are subject to tax in jurisdictions other than the United States and may result in consequences different from those described above. Participants should consult their own tax advisors as to individual tax consequences of participation in the Plan, including consequences under applicable non-US tax laws.

Notwithstanding anything to the contrary contained herein, the tax treatment of the benefits provided under the Plan is not guaranteed. Each US Participant is solely responsible and liable for the satisfaction of all taxes, penalties and interest that may be imposed on the US Participant in connection with the Plan or any Award, including any taxes, penalty and/or interest under Section 409A. No Member of the Group shall have any obligation to indemnify or otherwise hold the US Participant harmless from any or all of such taxes, penalty or interest.

11. Administrative errors. If an Award is granted to an individual who is not eligible to be granted an Award, or an Award is granted by mistake, the Award is void.

### **C. VESTING OF AWARDS**

1. Vesting. An Award vests when the Participant becomes entitled to have the Shares underlying the Award delivered.
2. Determination of conditions. As soon as practicable after the end of any performance period, the Committee will determine whether, and to what extent, any performance conditions and any other conditions imposed have been satisfied and consequently the extent to which the Award will vest. To the extent that the Committee determines that any performance conditions or other conditions applicable to the Award are not satisfied and are no longer capable of being satisfied, either in whole or in part, the Award will immediately lapse, in whole or part (as appropriate).
3. Timing of vesting. An Award shall vest on the latest of: (i) the date on which the Committee makes its determination of the extent to which any performance conditions and/or other conditions are satisfied; (ii) the Expected vesting date; and (iii) the end of any applicable Holding Period.
4. Vesting outcomes. The Committee may adjust the extent to which an Award will Vest if it considers the level of Vesting would otherwise not be appropriate, including when considering the wider performance of the Group or any Member of the Group, the performance of the Participant or the experience of stakeholders.
5. Absences from work. If a Participant is absent from work during any part of the period starting with the grant date and ending with vesting date, the Committee may reduce the extent to which the Award will vest. No reduction may be made, however: for a period of absence which is part of the Participant's normal holiday allowance or a period during which the Participant is entitled to receive sick pay; or if to do so would be contrary to any applicable rule of law. Whenever the number of Shares subject to an Award is reduced due to the Participant's absence from work, the Award will be treated (to the extent relevant) as having lapsed and the Company must notify the Participant as soon as reasonably practicable.
6. Lapsing. To the extent an Award lapses, it cannot Vest subsequently under any other provision of the Plan. This means that, to the extent the Award Lapses, the Participant has no right to receive the Shares or cash comprised in the Award.

### **D. SATISFACTION OF AWARDS.**

1. Delivery of Shares. As soon as practicable after the vesting of an Award, the Committee will arrange for the delivery to the Participant the number of Shares or cash in respect of which the Award has vested. Shares may be delivered to a nominee on behalf of the Participant, provided that the Participant is the beneficial owner of the Shares.

The settlement of an Award (or portion thereof) granted to a US Participant, whether in Shares or in cash, shall be made no later than March 15th of the calendar year following the calendar year that such Award (or portion thereof) first is no longer subject to a "substantial risk of forfeiture" for the purposes of Section 409A. In addition, if the vesting or settlement of Awards granted to US Participants is prevented by any dealing restrictions, to the extent permitted by

Section 409A, such vesting or settlement may be delayed for such Awards until the dealing restriction no longer prevents it.

2. Source of Shares. Awards may be satisfied using newly issued Shares, Shares transferred from treasury and/or Shares purchased in the market.
3. Rights. Shares issued in connection with this Plan will rank equally in all respects with the Shares in issue on the date of allotment.

Where Shares are transferred on the vesting of an Award, the Participant will be entitled to all rights attaching to the Shares by reference to a record date on or after the transfer date.

The Participant will not be entitled to voting, dividend or any other right attaching to the Shares before the date of allotment or transfer, as appropriate.

4. Cash/net settlement of Awards. The Committee may decide to satisfy an Award (or part of it) in cash or by reducing the number of Shares to which the Participant would otherwise be entitled under the Plan, with the reduction instead being paid as an equivalent amount in cash (subject to withholding). The Participant will have no right to acquire the Shares in respect of an Award which has been satisfied in cash.
5. Dividend equivalents. Where an Award includes dividend equivalents in accordance with (B6), the participant will receive an amount equal to the dividends, the record date for which falls during the relevant Period, multiplied by the number of Shares in respect of which the Award Vests. Any Dividend equivalents may be paid in cash or shares as determined by the Committee.

#### **E. HOLDING PERIODS.**

1. For any US Participant, the term “**Holding Period**” shall mean, in relation to an Award, the period, following the vesting date, specified at the time of grant. If the Committee determines that an Award granted to a US Participant will be subject to a Holding Period, then, during such Holding Period, Shares acquired following vesting (or any interest in them) may not be disposed of, transferred, assigned or have any charge or other security interest created over them unless for reasons specified in the Rules.

If a Holding Period applies to an Award granted to a US Participant, the Shares acquired on vesting of the Award will be held subject to the Malus and Clawback Policy during the Holding Period. A US Participant must provide such proof of continued ownership of the Shares and/or transfer the Shares to be retained by a nominee on their behalf (as appropriate), over the course of and at the end of the Holding Period, as the Committee may request at any time.

#### **F. INVESTIGATIONS.**

1. Relevant Investigation. This rule applies where an investigation is ongoing which might lead to Malus and/or Clawback being triggered in relation to a Participant's Award.

2. Impact of Investigation. If an investigation is ongoing, then unless the Committee decides otherwise, (a) the participant's award will not vest; and (b) where relevant, the Participant's Award will not be satisfied by the delivery of Shares or cash, until the investigation is concluded and then any Award will only Vest or be satisfied as determined by the Committee.

#### **G. DEALING RESTRICTIONS.**

1. If Dealing Restrictions apply, then (a) an Unvested Award will not Vest until the Dealing Restrictions cease to apply; and (b) the delivery of Shares or cash to satisfy an Award will not occur until the Dealing Restrictions cease to apply, unless the Committee decides otherwise.

#### **H. LEAVING**

1. General rule – Leaving during the Vesting Period. If a Participant Leaves during the Vesting Period, the Participant's Award will Lapse on the date of leaving, unless the other provisions of this rule (Leaving) apply.
2. Good Leavers – Leaving during the Vesting Period. If a participant leaves during the Vesting Period for reason of death; ill health; injury; disability; redundancy; retirement; the Participant's employing company ceasing to be a Member of the Group; a transfer or the business or part of the business in which the participant works to a person that is not a Member of the Group, or any other reason determined at the discretion of the Committee (**Good Leaver Reason**) then, the award will be reduced pro-rata to reflect the period from the date of leaving until the end of the Vesting Period as a proportion of the period from the Grant Date to the end of the Vesting Date, and then unless the Committee determines otherwise:
  - a. Awards that are not subject to Performance Conditions and/or a Holding Period will Vest immediately.
  - b. Awards that are subject to Performance Conditions and/or a Holding Period will continue to the normal date of Vesting and will continue to be subject to any applicable Holding Period and will vest subject to the extent that Performance Conditions and other conditions (if any) have been satisfied per C2.

This is explained to Participants at the time that they leave the Company.

If a US Participant Leaves during an applicable Holding Period, the Holding Period will continue to apply unless the Committee determines otherwise.

3. Post-termination restriction for executive directors. If a Participant is an executive director of the Company, Leaves for a Good Leaver Reason during the vesting period and the reason for Leaving is retirement, and becomes directly or indirectly employed or engaged by another business in a non-voluntary capacity as an executive director within a period of 12 months from Leaving, or such other period as determined by the Committee, then the Award will normally lapse or, if the Award has already been settled, the Committee may recover such amount as it determines appropriate (not exceeding the aggregate gross value (as determined



by the Committee) of the Award including any dividend equivalents) by using any of the methods set out in the Malus and Clawback Policy.

## **I. COMPANY EVENTS**

### **1. Company events.** In the event of:

- a. a takeover, where a person (or group of persons acting in concert) obtains control of the Company;
- b. a scheme of arrangement, when a court sanctions a compromise or arrangement in connection with the acquisition of Shares;
- c. any person becoming bound or entitled to acquire shares in the Company under any statute or order governing company takeovers, reconstructions, liquidations or amalgamations;
- d. the voluntary winding up of the Company;

then:

- a. any applicable Holding Period will cease to apply; and
- b. Awards will vest to the extent that performance conditions and other conditions (if any) have been determined to have been satisfied and will be reduced pro-rata to reflect the period from the date of the relevant company event, until the end of the vesting period, as a proportion of the period from the grant date to the end of the vesting period unless the committee decides otherwise, and the Award will lapse as to the balance.

### **2. Exchange.** If an Award does not vest in a company event as described above, then such Award will be exchanged: (a) where an offer to exchange the Award is made and accepted by a Participant; or (b) if and to the extent that the Committee with the consent of the acquirer so decides; or (c) in the case of an internal reorganisation where substantially all the shareholders of the Company immediately before the reorganisation will continue to have Control immediately afterwards, unless the Committee decides otherwise acting fairly and reasonably. The exchange will take place on or as soon as practicable after the occurrence of the relevant company event.

Where a participant is granted a new award in exchange for an existing Award, the new award: (i) to the extent the existing Award is over Shares, must confer a right to acquire shares (or other securities) in the acquirer or another body corporate, as determined by the Committee with the agreement of the acquirer; (ii) is treated as having been acquired at the same time as the Award; (iii) unless the Committee decides otherwise, must be subject to the terms and conditions that are considered by the Committee to be substantially equivalent to the terms and conditions applicable to the Award immediately prior to exchange, including any Holding Period.

Where there is to be an exchange of a US Participant's Award the Committee shall attempt to structure the terms of the exchange and the equivalent Award such that neither the exchange nor the new Award violates Section 409A.

3. Variations in share capital. If there is a variation in the equity share capital of the Company, including a capitalisation or rights issue, open offer, sub-division, consolidation or reduction of share capital, a demerger or exempt distribution, a special dividend or distribution or any other transaction that the Committee decides will materially affect the value of Shares, the Committee may adjust the number and class of Shares comprised in an Award in such manner as the Committee may consider appropriate.

## **J. CHANGING THE PLAN AND TERMINATION**

1. Committee's powers. The Committee may at any time change the Plan or the terms of any Award in any way.
2. Shareholder approval. The Company in general meeting must approve in advance by ordinary resolution any proposed change to the Plan that is to the advantage of present or future Participants and which relates: (i) to the persons who are eligible to participate in the Plan, (ii) the limitations on the number or amount of Shares or cash which may be delivered or paid under the Plan, (iii) the limits on Awards granted to individuals under the Plan, (iv) the basis for determining a Participant's entitlement to, and the terms of, Shares or cash provided under the Plan, (v) 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 the Company's capital or (vi) the terms of the rules governing changing the Plan and termination.

The Committee can change the Plan and need not obtain the approval of the Company in general meeting for any change which the Committee considers is minor and is to (i) benefit the administration of the Plan, (ii) comply with or take account of the provisions of a change in legislation or (iii) obtain or maintain favourable tax, exchange control or regulatory treatment of the Company, any subsidiary or any present or future Participant.

3. Participant consent. If the Committee proposes an amendment to the Plan which would be to the material disadvantage of Participants in respect of existing rights under the Plan, then the Committee must obtain the written consent of the affected Participant(s).

The Committee need not obtain the written consent of Participants for any changes to Awards that were granted to US Participants which are necessary or desirable in order for the Awards to avoid a violation of Section 409A.

## **K. GENERAL**

1. Data Protection. Any data protection policy (or policies) of the Group or any Member of the Group and/or data privacy notice(s) that are applicable to any Employee or Participant will apply to their personal data.
2. Costs and Funding. The Company must pay the costs of introducing and running the Plan. The Company may however require a Participant's employer to share the costs on such basis as the Committee considers fair.
3. Conflict. In the event of any conflict between the Plan and this summary, the terms of the Plan shall prevail.

4. Additional Information. Additional information about the Plan and its administrator may be obtained by request in writing to Hayley Stock – Head of Executive Reward and Global Incentive Plans at [Hayley.Stock@rolls-royce.com](mailto:Hayley.Stock@rolls-royce.com) or by telephone to +44(0)7528 975 733.