



YOUR SHARES: GIFTED

Payroll Guide



Photo courtesy of Ellie Wharton, Manufacturing Engineer – Civil Aerospace, Derby, UK.

Your role

On 12 September 2024, we awarded all our colleagues 150 Rolls-Royce shares for free, as part of *Your Shares: Gifted*.

Colleagues will be able to access these when they unlock in September 2025 – except in the UK, where colleagues will need to wait until September 2027. In some cases, colleagues will be able to access their shares early, including:

- Those who leave Rolls-Royce as a favourable leaver before they unlock – see the timeline.
- Colleagues in the US who are ‘retirement eligible’ (defined as 55 years old with 10 years’ service).

In these cases the shares unlock early for tax reasons.

When *Your Shares: Gifted* unlocks, colleagues may incur local tax and social security liabilities, and we may face employer tax withholding and reporting requirements. In Germany, the shares are tax-advantaged; and in the UK colleagues can access their shares tax free after 5 years.

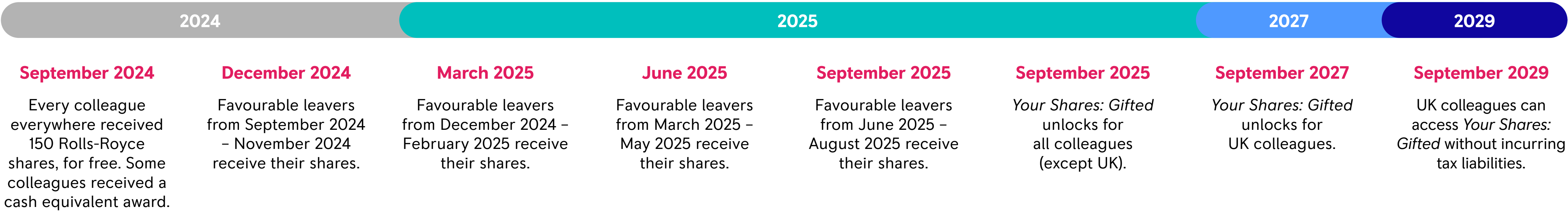
This guide explains what’s required of our local payroll teams as colleagues access their shares.

It will guide you through immediate actions that are required, ensuring payroll is set up to complete any filings and reporting. It explains the process for participating colleagues who leave before September 2025, as well as those who remain with us until their shares unlock.

Tax and social security withholding requirements vary by country, and it’s your responsibility to understand and apply local rules. It’s important that taxes are settled with local authorities, along with any associated withholding reconciliation or local reporting, and that filings are completed on time.



Timeline



Ensuring we withhold the correct amount of tax for *Your Shares: Gifted* is your responsibility. There are three key aspects to it.

Phase 1: now! Understand your local tax withholding and reporting responsibilities. Set up your payroll to complete any filings and reporting.	Phase 2: Leavers Process the unlocking of shares for any leavers on a quarterly basis between now and September 2025*.	Phase 3: Unlocking (September 2025) Process the unlocking of shares for all colleagues still employed in September 2025.
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*In the UK unlocking takes place monthly, rather than quarterly.

Understanding your local tax requirements

Tax and Social Security withholding requirements vary by country.

It's your responsibility to understand and apply local rules.

Use your local payroll tax guide to understand the requirements for your country. You need to know whether the following apply when colleagues' and leavers' shares unlock:

- Income tax
- Social security and any other applicable taxes
- Withholding requirements
- Reporting requirements

If any of these apply, you'll need to:

1. Review and understand the process
2. Have local resource and processes in place to manage this
3. Set up payroll for any processing and / or reporting



Supporting leavers

Some colleagues will leave Rolls-Royce before *Your Shares: Gifted* unlocks. What happens to their shares will depend on their reason for leaving.

Favourable leavers	Unfavourable leavers
<ul style="list-style-type: none">• Retirement• Redundancy• Death in service• Disability, illness or serious injury• The business they work for is sold <hr/> Colleagues will keep their shares	<ul style="list-style-type: none">• Resignation• Dismissal• Gross misconduct <hr/> Colleagues will lose their shares

Favourable leavers will receive their shares within approximately three months of leaving. We will unlock leavers’ shares each quarter, in December, March, June and September.

There’s an automatic feed between Workday and Equiniti (EQ) (Fidelity in the US), confirming who has left, the date of leaving, and whether they are classed as a ‘favourable’ or ‘unfavourable’ leaver.



September 2025

On 12 September 2025, *Your Shares: Gifted* will unlock (vest) for all colleagues globally – except for those in the UK.

The process will be the same as it is for leavers. We will hold a call for our payroll colleagues beforehand to run through the timeline and actions and give you the opportunity to ask questions.



It is important that the correct leaver reason is entered into Workday, as this informs next steps in their share ownership journey.

The process for withholding taxes

Ahead of an unlocking event, you will need liaise with our administrator to ensure the process is completed.

Our administrator will request from you the percentage of shares to be sold per employee to cover local tax, social security and any other taxes (if applicable). For colleagues who have left the company, it's best to over-estimate rather than under-estimate the amount of tax due, because if you underestimate you may not be left with sufficient funds to pay the tax authorities.

Our administrator will sell the requested percentage of shares to cover withholding taxes ("sell to cover"). They will transfer the cash from the sale of these shares to local payroll, so you can cover the employee's withholding taxes. It's the local payroll team's responsibility to reconcile and settle taxes with the local authority, ensuring any filing deadlines have been met.

The administrator will send you a file containing the following data for all colleagues whose shares unlock:

- The value of the unlocked (vested) shares at the point that they unlocked
- The number and value of shares sold to cover any tax liability
- The number of shares transferred to the participants' accounts

The administrator will also send you one payment representing the total value of shares sold for employees.

The administrator will transfer the remaining shares to the employee's share account, and they will receive a letter confirming next steps.



The process for withholding taxes

You need to...

- 1. Inform our administrator what percentage of shares need to be sold to cover withholding requirements
- 2. Reconcile and settle taxes with the local authority
- 3. Complete any filings as appropriate.



Payroll Entries: Remember that you’ve provided an estimated tax rate. You now need to process through payroll the actual taxable values of the shares – see example on p8.

Unlocking date	December 2024	March 2025	June 2025	September 2025
Administrator requests withholding rates	30 October	3 February	2 May	1 August
Deadline for sending withholding rates	13 November	12 February	14 May	13 August
Shares unlock. Administrator sells to cover	2 December	3 March	2 June	1 September
Administrator shares file for tax reporting	9 December	10 March	9 June	8 September



If there’s no withholding in your location then there is no action to take in advance of the shares unlocking. Equiniti will still send you a file after the shares have unlocked confirming the value of the shares, as this may be needed for reporting purposes.

Example 1

Meet Jackson. Jackson received 150 Rolls-Royce shares for free as part of *Your Shares: Gifted*.

He’s leaving Rolls-Royce to retire and spend more time with his grandchildren. His last day is 26 January 2025, so his shares from *Your Shares: Gifted* will unlock in March 2025.

Here’s what Jackson can expect to receive.

¹This is the notional payment. If your payroll system can’t manage notional payments, pass a credit and debit, each for £750.

² This is credited to Jackson as a non-taxable payment. You must raise a credit for the participant equal to the value transferred from the administrator.

1

Number of shares

150

2

Rolls-Royce share price at March unlocking

£5

3

Total value of Jackson’s shares ¹

£750

£5 per share x 150 shares

4

Jackson’s estimated tax rate

40%

5

Jackson’s estimated tax liability

£300

£750 total value x 40% tax rate

6

Commission charged by administrator

£12.50

7

Total estimated charges

£312.50

£300 estimated tax liability + £12.50 commission

8

Shares sold to cover charges

63

£312.50 charges ÷ £5 per share, rounded to the nearest whole share

9

Total value of shares sold

£315

63 shares x £5 per share

10

Administrator retain commission

£12.50

11

Administrator transfers to payroll ²

£302.50

£315 shares sold – £12.50 commission

12

Payroll generates correct tax rate

37%

13

Payroll withholds tax and pays to local tax authority

£277.50

£750 total value x 37%

14

Payroll returns to Jackson

£25

£302.50 returned to payroll – £277.50 tax liability

15

Jackson receives his remaining shares

87

150 total shares – 63 sold to cover costs

Example 2

Jackson’s estimated tax rate was 40%, but his confirmed tax rate is 42%.

1

Payroll enter notional ‘payment’ representing taxable value of vested shares

£750

If the payroll system cannot manage notional payments, then instead pass a credit and a debit each for £750

2

Payroll generates the correct tax rate

42%

Calculated automatically on entry of notional payment

3

Payroll generates the tax payment which is paid to the local tax authority

£315

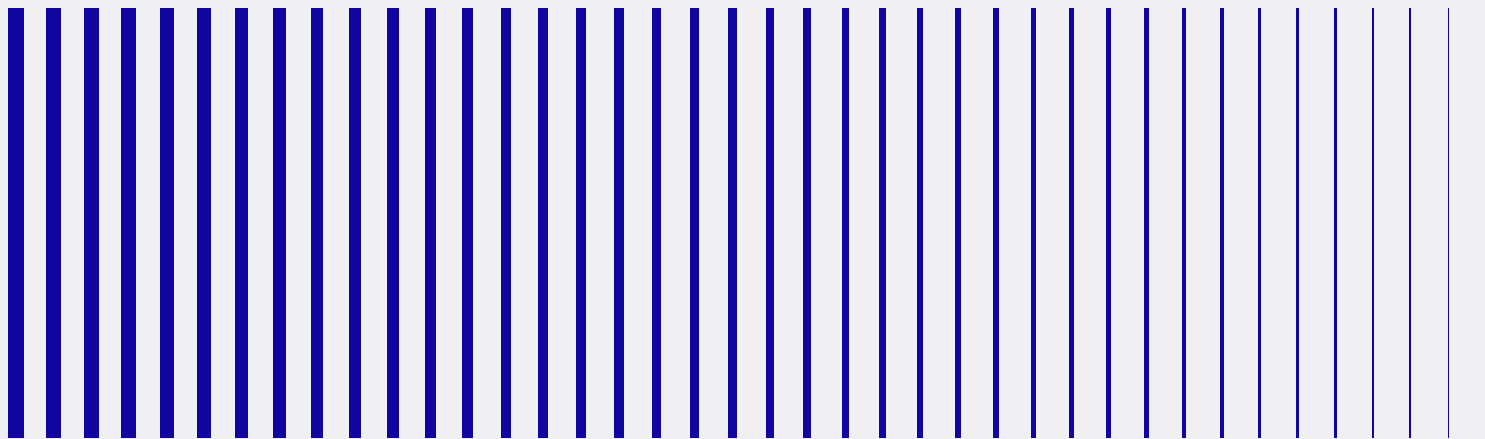
(£750 x 42%)
Taxable value of vested shares x tax rate

4

Payroll raise a credit for Jackson equal to the value transferred from Equiniti

£302.50

Credited to Jackson as a non-taxable payment



-£12.50

Jackson’s pay will decrease by £12.50 because the actual tax rate (42%) was higher than the estimated rate (40%). The shares sold didn’t raise enough cash to pay the tax, so the shortfall is taken from his pay.



EQ File Transfer

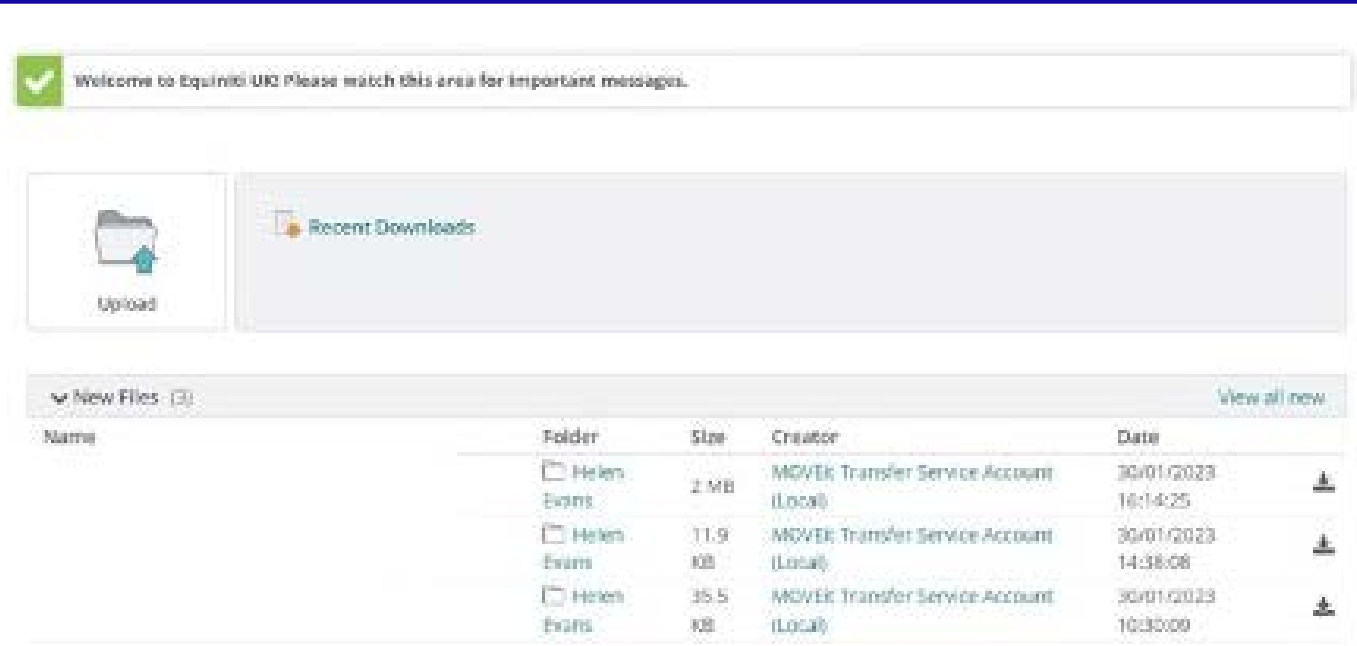
You may need to transfer files to EQ – in which case you must use the EQ File Transfer, a secure digital platform for employee data.

Please always include your payroll name (e.g. SAP UK) in the file name when uploading to EQ File Transfer.

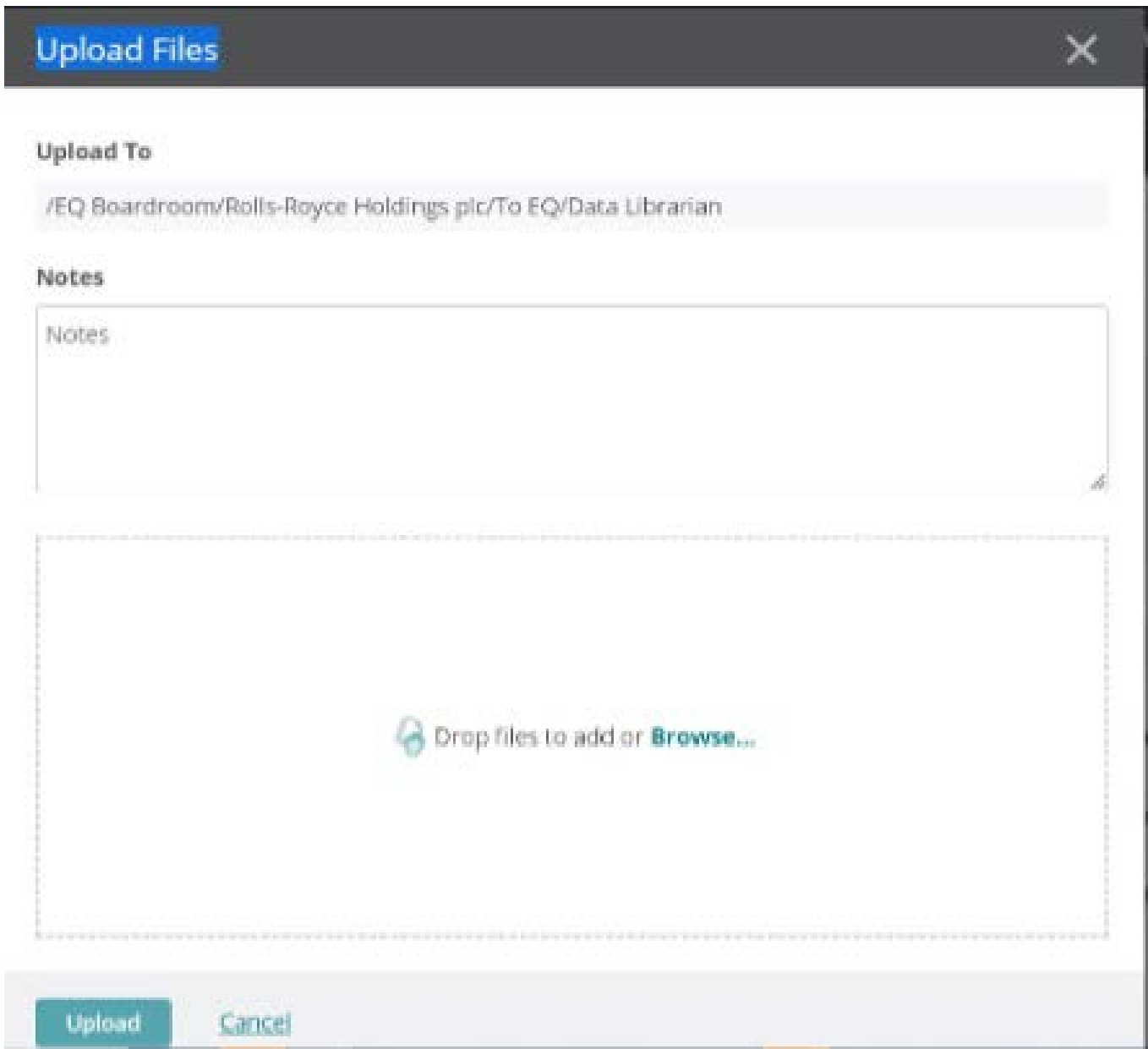
1. Go to <https://transferuk.equiniti.com>. Use your username and password to login.



2. Click 'Upload' on the left-hand side of the welcome screen. Click 'Browse' to select the file to upload, or drag and drop



3. Click 'Upload' to complete the process. Your file is now uploaded to the system.



Congratulations, you're all done!

Need more support?

You can access a high-level overview of the requirements for your country in our **tax and payroll guides** which can be found in the ‘resources’ section of **Your Shares: Hub**.

You can also reach out to your local payroll or tax specialist.

If you have any questions we’ve not covered in this guide, please get in touch. We’ll be happy to help.

