

## **Rolls-Royce Holdings plc**

### **ETHICS COMMITTEE TERMS OF REFERENCE**

Approved by the Board on 8 December 2011

#### **1. COMPOSITION AND AUTHORITIES**

- 1.1. The Chairman and members of the Ethics Committee (“the Committee”) shall be appointed by the Board.
- 1.2. The Committee shall comprise at least three Directors of the Company, none of whom shall hold executive responsibility in the Company and all of whom shall be independent as determined by the Board.
- 1.3. The Company Secretary or his nominee shall act as the Secretary of the Committee.
- 1.4. The quorum necessary for the transaction of business shall be two members. A duly convened meeting of the Committee at which a quorum is present shall be authorised to exercise all or any of the powers and discretions vested in or exercisable by the Committee.
- 1.5. The Committee shall meet at least twice a year and at such other times as the Chairman of the Committee shall require.
- 1.6. The Chairman of the Company, the Chief Executive and other executives of the company may be invited by the Committee to attend meetings of the Committee.
- 1.7. The Director of Risk should normally attend meetings and shall have direct access at anytime to the Chairman of the Committee.
- 1.8. The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary. The Company shall meet the expense of such advice.
- 1.9. The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees shall co-operate with any request made by the Committee.

#### **2. RESPONSIBILITIES**

- 2.1. The responsibilities of the Committee shall be:
  - a) to act in a way which the Committee considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole;
  - b) to review recommendations on ethical matters made by external regulatory authorities or other bodies and to make recommendations to the Board about whether, and if so, to what extent, these should be applied to Rolls-Royce;

- c) to review the Company's compliance with the Global Code of Business Ethics and the enforcement of ethical conduct within the Company;
- d) to make recommendations to the Board as appropriate for changes to the Global Code of Business Ethics;
- e) to receive reports on the issues raised through the 'ethics reporting line' and to review the results of subsequent investigations conducted into breaches of the ethics policy or allegations of misconduct;
- f) to review the extent and effectiveness of the Company's external reporting of ethics policy and practice and to advise the Board accordingly;
- g) to ensure that ethical policies and practices are subject to an appropriate level of independent internal, and where necessary to appoint auditors to conduct an external, review;
- h) to review arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action; and
- i) to ensure that any concerns about possible improprieties in matters of financial reporting are brought to the attention of the Audit Committee.

### 3. REPORTING

- 3.1. The Committee shall report to the Board as appropriate.
- 3.2. The Committee shall prepare a report on its role and responsibilities and the actions it has taken to discharge those responsibilities for inclusion in the annual report and accounts.
- 3.3. The Chairman of the Committee shall be available to respond to any shareholders' questions at any general meeting of the Company.
- 3.4. The Committee shall review its terms of reference and its own effectiveness annually and recommend any changes to the Board. Its effectiveness will be externally and independently evaluated at least every three years.

### 4. DUTIES OF THE SECRETARY

- 4.1 The Secretary shall be required to keep a proper and timely record of meetings of the Committee and circulate such minutes to all members of the Committee, the Board and to the Company's external auditor.
- 4.2 The Secretary shall ensure that the Committee is properly constituted in accordance with these Terms of Reference. Any actual or anticipated variance of these terms should be brought to the attention of the Chairman of the Committee and the Chairman of the Company as appropriate.

- 4.3 The Secretary shall ensure that these Terms of Reference are made available on the Company's website.