

Rolls-Royce Holdings plc

RISK COMMITTEE TERMS OF REFERENCE

(Re-approved by the Board on 8 December 2011)

1. COMPOSITION AND AUTHORITIES

- 1.1. The Chairman and members of the Risk Committee (“the Committee”) shall be appointed by the Board.
- 1.2. The Committee shall comprise the Executive Directors of the Company.
- 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 may require.
- 1.6. The Director of Risk and a representative of the Company’s external auditor shall normally attend meetings.
- 1.7. 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.

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 develop and implement the Company’s Risk Management strategy and policy and any subsequent amendments thereto;
 - (c) to review reports on Key Risks compiled from risk profiles prepared by management in order to:
 - (i) monitor the total level of risk within the Rolls-Royce Group and ensure that this is contained within a total delegated authority limit set by the Board;
 - (ii) monitor the level of risk within each Business Unit within an authority limit set by the Committee; and

- (iii) assess the effectiveness of the systems established by management to identify, assess, manage and monitor financial and non-financial risks.

3. REPORTING

- 3.1. The Committee shall report to the Board annually on the Company's management of risk and provide the Board with an assessment of the Key Risks facing the business, including any changes to the risk profile.
- 3.2. The Committee shall review the Company's Statement in the Annual Report and Accounts on Internal Control Systems and Risk Management framework prior to review by the Audit Committee and endorsement by the Board.

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 together with the summary Risk Register Report, 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 shall be brought to the attention of the Chairman of the Committee and the Chairman of the Company as appropriate.
- 4.3. The Secretary should ensure that these Terms of Reference are publicly available.