



## **Purpose**

The purpose of the internal audit function is to strengthen Rolls-Royce's ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance.

It is management's responsibility to establish and maintain internal controls to manage the risks to achieving business objectives. Internal audit provides assurance on the adequacy and effectiveness of risk management and controls in reducing risk exposures.

## **Mandate**

### ***Authority***

The Audit Committee of Rolls-Royce Holdings plc grants internal audit the mandate to provide the board and senior management with objective assurance, advice, insight, and foresight.

Internal audit's authority is created by its direct reporting relationship to the board. Such authority allows for unrestricted access to the board.

The Audit Committee authorises internal audit as one function across the group to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish their objectives.
- Obtain assistance from the necessary personnel of Rolls-Royce and other specialised services from within or outside Rolls-Royce to complete internal audit activities.

### ***Independence, Organisational Position, and Reporting Relationships***

The Group Head of Internal Audit will be positioned at a level in the organisation that enables internal audit responsibilities to be performed without interference from management, thereby establishing the independence of internal audit. The Group Head of Internal Audit will report functionally to the Chair of the Audit Committee and administratively (for example, day-to-day operations) to the General Counsel. This positioning provides the organisational authority and status to bring matters directly to senior management and escalate matters to the board, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

The Group Head of Internal Audit will confirm to the Audit Committee the organisational independence of internal audit. If the governance structure does not support organisational independence, the Group Head of Internal Audit will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The Group Head of Internal Audit will disclose to the board any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit's effectiveness and ability to fulfil its mandate.

## Scope and Types of Internal Audit

The scope of internal audit covers the entire breadth of the group, including all Rolls-Royce's activities, assets, and personnel. The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance to the board and management on the effectiveness of governance, risk management, and control processes.

Advisory activities may be agreed, provided internal audit does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

Internal audit engagements may include evaluating whether:

- Risks relating to the achievement of Rolls-Royce's strategic objectives are appropriately identified and managed through effective controls.
- The actions of Rolls-Royce's officers, directors, management, employees, and contractors or other relevant parties comply with Rolls-Royce's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations and programmes are consistent with established objectives.
- Operations and programmes are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact Rolls-Royce.
- The integrity of information and the means used to identify, measure, analyse, classify, and report such information is reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

## Board Oversight

The Audit Committee will:

- Discuss with the Group Head of Internal Audit and senior management the appropriate authority, role, scope, and responsibilities of internal audit.
- Ensure the Group Head of Internal Audit has unrestricted access to and communicates and interacts directly with the board, including without senior management present.
- Approve the internal audit function's charter.
- Review the internal audit charter annually to consider changes affecting the organisation.
- Approve the risk-based internal audit plan.
- Approve the internal audit function's human resources administration, budgets and expenses.
- Collaborate with senior management to determine the qualifications and competencies the organisation expects in a Group Head of Internal Audit.
- Authorise the appointment and removal of the Group Head of Internal Audit.
- Approve the remuneration of the Group Head of Internal Audit.
- Review the Group Head of Internal Audit's performance.
- Receive communications from the Group Head of Internal Audit about internal audit including its performance relative to its plan.
- Ensure a quality assurance and improvement programme is established and review the results.
- Make appropriate inquiries of senior management and the Group Head of Internal Audit to determine whether scope or resource limitations are inappropriate.

## **Group Head of Internal Audit Roles and Responsibilities**

### ***Ethics and Professionalism***

The Group Head of Internal Audit will ensure that internal auditors:

- Conform with expected standards, including: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organisation and be able to recognise conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organisation.
- Report organisational behaviour that is inconsistent with the organisation's ethical expectations, as described in applicable policies and procedures.

### **Objectivity**

The Group Head of Internal Audit will ensure that internal audit remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner. If the Group Head of Internal Audit determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment. Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively.

### ***Managing the Internal Audit Function***

The Group Head of Internal Audit has the responsibility to:

- Develop a risk-based audit plan that considers the input of the board and senior management.
- Discuss the plan with the board and senior management and submit the plan to the Audit Committee for review and approval.
- Communicate the impact of resource limitations on the plan.
- Review and adjust the internal audit plan in response to changes in Rolls-Royce's business, risks, operations, programmes, systems, and controls.
- Communicate with the board and senior management if there are significant interim changes to the internal audit plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the expected standards.
- Follow up on engagement findings and confirm the implementation of action plans and communicate the results of internal audits to the board and senior management.
- Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to fulfil the internal audit mandate.
- Identify and consider trends and emerging issues that could impact Rolls-Royce and communicate to the board and senior management as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to methodologies designed to guide internal audit.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance. If an appropriate level of coordination cannot be achieved, the issue must be communicated to senior management and if necessary escalated to the board.

### ***Communication with the Board and Senior Management***

The Group Head of Internal Audit will report to the board and senior management regarding:

- The internal audit function's mandate.
- The internal audit plan and performance relative to its plan.
- Internal audit budget and resource requirements
- Significant revisions to the internal audit plan and budget.
- Potential impairments to independence, including relevant disclosures as applicable.
- Results from the quality assurance and improvement programme.
- Significant risk exposures and control issues.
- Results of assurance and advisory work.
- Management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond Rolls-Royce's risk appetite.

### ***Quality Assurance and Improvement Programme***

The Group Head of Internal Audit will develop, implement, and maintain a quality assurance and improvement programme. This will include external and internal assessments of conformance with the Global Internal Audit Standards, as well as performance measurement to assess the internal audit function's progress toward the achievement of its objectives and promotion of continuous improvement. Also, if applicable, the assessment will include plans to address the internal audit function's deficiencies and opportunities for improvement.

The Group Head of Internal Audit will communicate with the board and senior management about the internal audit function's quality assurance and improvement programme, including the results of internal and external assessments. External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team.

### ***Commitment to Adhering to the Global Internal Audit Standards***

The Rolls-Royce's internal audit function will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements. The Group Head of Internal Audit will report periodically to the board and senior management regarding the internal audit function's conformance with the Standards, which will be assessed through a quality assurance and improvement programme.

**Approved by the Audit Committee of Rolls-Royce Holdings plc**

**December 2025**