

AUDIT & RISK COMMITTEE

TERMS OF REFERENCE

(Approved by the Board on 3rd February 2005.
Last updated on 6th December 2011)

Role

The Committee reviews the financial reporting process, the integrity of the Company's financial statements, the external and internal audit process, the system of internal control and the identification and management of risks, and the Company's process for monitoring compliance with laws, regulations and ethical codes of practice.

Membership

Chairman	Tom De Swaan
Members	Professor Sir Roy Anderson Sir Deryck Maughan Dr Daniel Podolsky Sir Robert Wilson Stacey Cartwright Judy Lewent
In attendance	Chairman Chief Executive Officer Chief Financial Officer General Counsel Chairman, R&D Head of Audit & Assurance Corporate Financial Controller Head of Governance, Ethics and Assurance Chief Medical Officer Representatives from the Company's External Auditors
Secretary	Company Secretary

Constitution

1. The Board has established a Committee of the Board known as the Audit & Risk Committee (the "Committee").

Membership

2. The Committee shall comprise a minimum of three independent Non-Executive Directors appointed by the Board, on the recommendation of the Nominations Committee in consultation with the Committee Chairman.
3. Each of the members of the Committee shall be independent Non-Executive Directors, as determined by the Board of the Company, in accordance with the

provisions of the UK Corporate Governance Code ("the UK Code") and US federal securities laws and regulations. In particular no member of the Committee may receive any consulting, advisory or compensatory fee from the Company other than as a member of the Committee, the Board or any other Board Committee, nor may they be an affiliate of the Company or its subsidiaries.

4. Each of the members of the Committee should have experience working with financial and accounting matters.
5. The Company's Annual Report on Form 20-F shall state each year the number and names of the persons that the Board of Directors has determined to be an 'Audit Committee Financial Expert', as required by the US Sarbanes-Oxley Act of 2002, and have "Recent and Relevant Financial Experience", as set out in the UK Code, or explain why none have been so determined.
6. The Chairman of the Board shall not be a member of the Committee, but may be invited to attend its meetings.
7. Committee members shall serve for an initial period of up to three years, which may be extended by no more than two additional three year periods provided each member continues to be independent.
8. The Committee Chairman shall be appointed by the Board, following receipt of a proposal from the Nominations Committee.
9. The Committee Chairman shall, in conjunction with the Nominations Committee, review membership of the Committee as part of the annual performance evaluation of the Committee, taking into account the tenure served by Committee members.
10. The Committee Chairman and members of the Committee shall be identified in the Committee's Report to shareholders in the Annual Report.

Quorum

11. The quorum shall be two members.
12. In the absence of the Committee Chairman or an appointed deputy, the remaining members present shall elect one of the members to chair the meeting.

Attendance at meetings

13. The Chairman of the Board, Chief Executive Officer, Chief Financial Officer, Chairman, R&D, General Counsel, Corporate Financial Controller, Head of Audit & Assurance, Head of Global Internal Audit, Head of Governance, Ethics and Assurance, Chief Medical Officer and a representative of the external auditors shall normally attend meetings, although the Committee may meet without any executives of the Company being present. All Board members are invited to attend Part Two of the meetings.

14. At least once a year the Committee shall meet separately with:

- the external auditors;
- the Head of Audit & Assurance; and
- the Head of Governance, Ethics and Assurance;

without the Executive Directors and other management being present.

15. At least once a year the Committee shall meet collectively with a representative of the external auditors, the Head of Audit & Assurance and Head of Governance, Ethics and Assurance without the Executive Directors being present.

Committee Secretary

16. The Company Secretary shall be the Secretary of the Committee.

Structure and Frequency of meetings

17. The Committee meetings shall be split into two parts. Part One shall consider more fundamental auditing aspects of the Committee's role, such as receiving reports from the external auditors. Part Two shall consider new business unit and corporate function reports and reports on the outcome of Strategic Review Evaluations and other issues of relevance or topical interest. Meetings shall be held not less than four times a year and otherwise as required. The external auditors or a Committee member may request a meeting if they consider that one is necessary.

Annual General Meeting

18. The Committee Chairman shall attend the Company's Annual General Meeting and be prepared to respond to shareholder questions on the Committee's activities.

Authority

19. 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 or co-worker. All employees and co-workers are directed to co-operate with any request made by the Committee.

20. The Committee is authorised by the Board to obtain, at the Company's expense, outside legal or other independent professional advice on matters falling within its terms of reference and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

Duties

21. The Committee shall carry out the duties set out below for the Company, major subsidiary undertakings and the Group as a whole, as appropriate. The Committee shall:

Financial Reporting

- (a) review the published annual financial statements and the management discussion and analysis disclosures, interim reports, preliminary results announcements and any other formal announcements relating to financial performance prior to their approval by the Board or the Finance Committee, focusing particularly on:
- (i) the integrity of the Company's financial statements, including the operating and financial review and corporate governance statements relating to audit and risk management;
 - (ii) any changes in accounting policies and practices and to periodically review the appropriateness of the critical accounting policies and evaluate alternatives;
 - (iii) significant or unusual transactions;
 - (iv) major judgmental areas;
 - (v) significant adjustments resulting from the external audit and any unadjusted items identified during the external audit;
 - (vi) the going concern assumption;
 - (vii) compliance with accepted accounting standards; and
 - (viii) compliance with relevant US and UK regulatory and legal requirements.

External Auditors

- (b) oversee the selection and propose the appointment, re-appointment and removal of the external auditors to the Company's shareholders and obtain their consent to the Committee approving the remuneration of the external auditors;
- (c) be directly responsible for the remuneration and oversight of the work of the external auditors performed for the purpose of the external audit. Such oversight shall include the:
- engagement letter;
 - scope of the external audit and external audit plan;
 - external audit fee;
 - audit representation letters from management to the external auditors; and
 - resolution of any disagreements between management and the

external auditor regarding financial reporting;

- (d) pre-approve all audit and non-audit services (other than those expressly prohibited) undertaken by the Company's external auditors;
- (e) ensure that procedures are in place to record all non-audit services undertaken by the Company's external auditors in the Company's Annual Report;
- (f) require the external auditor to include the following matters in their reports to the Committee:
 - all critical accounting policies and practices used by the Company;
 - all alternative accounting treatments which have been discussed with management and the resultant conclusion by the external auditors;
 - all material written communications between the external auditors and the Company's management;
 - any material internal control failures; and
 - any scope restrictions or any restrictions on access to information.
- (g) receive and discuss periodic reports from the external auditors regarding their independence, including being satisfied that there are appropriate safeguards in place to ensure that any non-audit services provided by the external auditors are compatible with the maintenance of that independence;
- (h) assess annually the qualifications, expertise, resources, independence and objectivity of the external auditors and the effectiveness of the external audit process. This review shall include all aspects of the audit services provided by the external auditor;
- (i) in the event that the Company's external auditor resigns, conduct an investigation to understand the reasons for their resignation;
- (j) recommend to the Board, and keep under review, guidelines for the hiring of employees of the external auditor who were formerly engaged on the external audit;
- (k) discuss with the external auditors before the external audit commences the nature and scope of the external audit;
- (l) discuss problems and reservations arising from the external audit and any matters the external auditors may wish to discuss (in the absence of management where necessary);
- (m) review the external auditors' audit reports and presentations and management's response with particular focus on major issues arising from the external audit, significant judgements taken and level of errors identified in the external audit.

Global internal control & compliance

- (n) approve the appointment, removal or replacement of the Head of Audit & Assurance and periodically to review their objectivity;

- (o) monitor and review the effectiveness of Audit & Assurance and the Risk Oversight & Compliance Council ("ROCC") especially in the context of the Company's risk management system;
- (p) to monitor co-ordination between the internal and external auditors and to request internal audit to undertake specific audit projects, having informed management of their intentions, and to be satisfied that the internal audit function is adequately resourced and has appropriate standing within the Company;
- (q) review annually the key risks inherent and emerging in the business and the system of internal control necessary to monitor such risks;
- (r) have oversight of the Group's compliance with section 404 of the US Sarbanes-Oxley Act of 2002;
- (s) review throughout the year integrated Assurance reports comprising business unit, corporate function and associated consolidated Internal Audit reports in line with the schedule in the annual Assurance Plan;
- (t) review at each meeting significant issues (e.g., internal audit, compliance, outcomes of government investigations) within business units and other corporate functions, in addition to details of significant changes to the Group's internal control framework;
- (u) review a formal annual Assurance Plan at the beginning of the year to ensure adequate assurance coverage for all of the Group's significant risks
- (v) review the effectiveness of the system of internal control, prior to the Board making its statement thereon;
- (w) consider the findings of major internal investigations and management's response;
- (x) review throughout the year Group procedures for compliance with any applicable sanctions regimes;
- (y) consider any material breaches or exposure to breaches of regulatory requirements or of ethical codes of practice to which the Group subscribes, or of any related Group codes, policies and procedures which could have a material effect on the financial position or contingent liabilities of the Group, including the Group's Anti-Bribery and Corruption Programme;
- (z) review policies and procedures with respect to directors' and officers' expense accounts, including their use of corporate assets, and consider the results of any review of these areas by the internal auditors or the external auditors;
- (aa) review any proposed transactions between the Group and members of senior management other than those that derive from their employment and to review any such transactions that have been entered into since the completion of the merger on 27 December 2000;
- (ab) receive an annual report from the Chief Executive Officer and the Chief Financial Officer that they have disclosed to the Committee and to the

external auditors all significant deficiencies in internal control which could adversely affect the Company's ability to record and report financial data;

Whistleblowing

- (ac) ensure that procedures are established for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal control and auditing matters;
- (ad) establish procedures for the confidential and anonymous submission of concerns from employees of the Company regarding accounting or auditing matters and to ensure appropriate follow up action is taken; and

Other Matters

- (ae) consider other relevant matters, as requested by the Board.

Corporate Governance / Regulatory Developments

- 22. The Committee shall monitor the progress of any relevant corporate governance or regulatory developments that may impact the Committee and recommend any action or changes it considers necessary to the Board for approval.

Performance Appraisal & Review

- 23. The Committee shall review at least annually its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

Risk Oversight & Compliance Council

- 24. The Committee will be assisted by the Risk Oversight & Compliance Council in carrying out its duties.

Disclosure Committee

- 25. To assist in the performance of its duties, the Committee will review reports and minutes of, and discuss any issues raised by, the Disclosure Committee.

Reporting Procedures & Responsibilities

- 26. The Secretary shall circulate the minutes of meetings of the Committee to all members of the Board.
- 27. The Committee shall make regular reports to the Board and will promptly draw to the Board's attention matters requiring action or improvement.
- 28. Any unresolved disagreements between the Committee and the Board shall be reported by the Committee to shareholders as part of the Committee's report on activities.

Publication of Terms of Reference

- 29. These Terms of Reference shall be made available on the Company's website.

Notes

Updated to reflect:

- the retirement of Sir Peter Job from the Committee with effect from 31 December 2004.
- the appointment of Sir Deryck Maughan as a member of the Committee with effect from 21 January 2005.
- the appointment of Mr de Swaan as a member of the Committee with effect from 1 January 2006.
- the appointment of Mr de Swaan as Chairman of the Committee with effect from September 2006. Dr Schmitz, formerly Chairman, remained a member of the Committee.
- amendments to the Combined Code 2006.
- the appointment of Dr Daniel Podolsky as a member of the Committee with effect from 1 January 2007.
- the extension of the duties of the Committee to include oversight of the Group's compliance with section 404 of the US Sarbanes-Oxley Act of 2002.
- the retirement of Sir Ian Prosser and Dr Ronaldo Schmitz with effect from 20 May 2009.
- the appointment of Professor Sir Roy Anderson with effect from 20 May 2009.
- the Committee's role in overseeing the identification and management of risk with effect from 10 December 2009.
- the adoption of the UK Corporate Governance Code which replaced the Combined Code with effect from 1 July 2010.
- the appointment of Stacey Cartwright and Judy Lewent with effect from 1st April 2011.