

## AUDIT COMMITTEE

### TERMS OF REFERENCE

(Approved by the Board on 3<sup>rd</sup> February 2005.  
Updated on 8<sup>th</sup> December 2006 to take effect from 1<sup>st</sup> January 2007. Updated on  
2<sup>nd</sup> February 2007. Updated on 20<sup>th</sup> May 2009)

#### Role

The Committee reviews the financial reporting process, the system of internal control and management of risks, the external and internal audit process, 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
In attendance	Chairman Chief Executive Officer Chief Financial Officer General Counsel Head of Global Internal Audit Head of Corporate Ethics & Compliance 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 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 principles of the Combined Code of Corporate Governance ("the Combined Code"). 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 Audit 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 Sarbanes-Oxley Act 2002, and have "Recent and Relevant Financial Experience", as set out in the Combined Code, or explain why none have been so determined.
6. The Chairman of the Company 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, with the option to extend by no more than two additional three year periods provided each member continues to be independent.
8. The Chairman of the Committee shall be appointed by the Board, following receipt of a proposal from the Nominations Committee.
9. The Committee Chairman shall review membership of the Committee annually, as part of the annual performance evaluation of the Committee, taking into account the tenure served by Committee members.
10. The 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, the Chief Executive Officer, the Chief Financial Officer, the General Counsel, the Head of Global Internal Audit, the Head of Corporate Ethics & Compliance and a representative of the external auditors shall normally attend meetings, although the Committee may meet without any executives of the Company being present. Other Board members and other heads of internal control functions may attend by invitation.
14. At least once a year the Committee shall meet separately with:
  - the external auditors;
  - the Head of Global Internal Audit; and
  - the Head of Corporate Ethics & Compliance.

without executive Board members being present.

15. At least once a year the Committee shall meet collectively with the external auditors, the Head of Global Internal Audit and the Head of Corporate Ethics & Compliance without executive Board members being present.

### Committee Secretary

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

### Frequency of meetings

17. 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 Chairman of the Committee 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 outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

### Duties

21. The duties of the Committee shall be:

#### ***Financial Reporting***

- (a) to review the published annual financial statements and the management discussion and analysis ("MD&A") disclosures, interim reports, preliminary results announcements and any other formal announcements relating to financial performance prior to their approval by the Board or the Financial Results 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 the audit and to 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 stock exchange, regulatory and legal requirements.

### ***External Auditors***

- (b) to oversee the selection and propose the appointment of the external auditors to the Company's shareholders and obtain their consent to the Committee approving the remuneration of the external auditors;
- (c) to 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;
  - the scope of the audit and audit plan;
  - the 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) to pre-approve all audit and non-audit services (other than those expressly prohibited) undertaken by the Company's external auditors;
- (e) to 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) to 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; and
  - any scope restrictions or any restrictions on access to information.
- (g) to receive and discuss periodic reports from the external auditors regarding their independence, including being satisfied that any non-audit services provided by the external auditors are compatible with the maintenance of that independence;
- (h) to assess annually the qualifications, expertise, resources and independence of the external auditors and the effectiveness of the audit process. This review shall include all aspects of the audit services provided by the external auditor;
- (i) in the event that an external auditor resigns, to conduct an investigation to understand the reasons for their resignation;
- (j) to 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) to discuss with the external auditors before the audit commences the nature and scope of the audit;
- (l) to 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) to review the external auditors' audit reports and presentations and management's response with particular focus on major issues arising from the audit; significant judgements taken and level of errors identified in the audit;

### ***Global internal control & compliance***

- (n) to approve the appointment, removal or replacement of the Head of Global Internal Audit and periodically to review his objectivity;
- (o) to monitor and review the effectiveness of Global Internal Audit and the Risk Oversight & Compliance Council ("ROCC") especially in the context of the company's risk management system;
- (p) to review the Global Internal Audit and ROCC programme, 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) to review annually the key risks inherent in the business and the system of internal control necessary to monitor such risks;
- (r) to have oversight of the Group's compliance with section 404 Sarbanes-Oxley Act 2002.
- (s) to review on a quarterly basis a compliance report on internal control;
- (t) to receive a formal annual report from each of the Group's compliance audit groups (such groups to be defined by the ROCC). Each report to contain:
  - universe of audits;
  - annual coverage of audit plans;
  - audit resources; and
  - audit results including outstanding control issues and coverage of significant GSK risks;
- (u) to review the effectiveness of the system of internal control, prior to the Board making its statement thereon;
- (v) to consider the findings of major internal investigations and management's response;
- (w) to 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;

- (x) to 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;
- (y) to 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;
- (z) to 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

- (aa) to ensure that procedures are established for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal control and auditing matters;
- (ab) to 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.

#### Other

- (ac) to consider other topics, as defined by the Board.

#### Performance Appraisal & Review

- 22. 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

- 23. To assist in the performance of its duties, the Committee will review information and reports from the Risk Oversight & Compliance Council.

#### Disclosure Committee

- 24. To assist in the performance of its duties, the Committee will review reports and minutes from the Disclosure Committee.

#### Reporting Procedures & Responsibilities

- 25. The Secretary shall circulate the minutes of meetings of the Committee to all members of the Board.
- 26. The Committee shall make regular reports to the Board and will draw to the Board's attention matters requiring action or improvement.

27. 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

28. 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 Sarbanes-Oxley Act 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.