AUDIT & RISK COMMITTEE

TERMS OF REFERENCE

(Approved by the Board on 3 February 2005.
Last updated on 14 December 2021)

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

<table>
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<tr>
<th>Committee Chair</th>
<th>Charles Bancroft</th>
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<tr>
<td>Members</td>
<td>Vindi Banga</td>
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<td></td>
<td>Dr Anne Beal</td>
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<td></td>
<td>Lynn Elsenhans</td>
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<td>Dr Laurie Glimcher</td>
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<tr>
<td>In attendance as required</td>
<td>Company Chair</td>
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<td>Chief Executive Officer (“CEO”)</td>
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<td>Chief Financial Officer (“CFO”)</td>
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<td>General Counsel</td>
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<td>Head of Audit &amp; Assurance</td>
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<td>Corporate Financial Controller</td>
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<td>Chief Compliance Officer</td>
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<td>Representatives from the Company’s External Auditors</td>
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<td>Other Executives as required</td>
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<td>Committee Secretary</td>
<td>Company Secretary</td>
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Constitution

1. The board of directors (the “Board”) of GlaxoSmithKline plc (the “Company”) has established a committee of the Board known as the Audit & Risk Committee (the "Committee") in accordance with the principles of the UK Corporate Governance Code (the “Code”).

Membership

2. The Committee shall comprise a minimum of three independent Non-Executive Directors appointed by the Board, on the recommendation of the Nominations & Corporate Governance Committee in consultation with the Committee Chair.

3. Each of the members of the Committee shall be independent Non-Executive Directors, as determined by the Board, in accordance with the provisions of the 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 and the Committee as a whole shall have competence relevant to the sector in which the Company operates.

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 Code, or explain why none have been so determined.

6. The Company Chair 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 Chair shall be appointed by the Board, following receipt of a proposal from the Nominations & Corporate Governance Committee and shall have, ideally, served as a member on the Committee for at least one year beforehand.

9. The Committee Chair shall, in conjunction with the Nominations & Corporate Governance 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 Chair and members of the Committee shall be identified in the Annual Report.

Quorum

11. The quorum shall be two members.

12. In the absence of the Committee Chair or an appointed deputy, the remaining members present shall elect one of the members to chair the meeting.

Attendance at meetings

13. Only members of the Committee have the right to attend Committee meetings. However, the CFO, General Counsel, Corporate Financial Controller, Head of Audit & Assurance, and Chief Compliance Officer, and a representative of the external auditor will be invited to attend meetings of the Committee on a regular basis, although the Committee may meet without any executives of the Company being present. The Company Chair, Chief Executive Officer and other executives may be invited to attend all or any part of any meeting, as and when appropriate.

14. The Committee shall as required meet privately with the external auditors at the end of each scheduled meeting.

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

- the external auditors;
- the Head of Audit & Assurance; and
• the Chief Compliance Officer;

without the Executive Directors and other management 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.

**Shareholder engagement**

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

19. The Committee Chair shall seek engagement with shareholders on significant matters related to the Committee’s areas of responsibility.

**Authority**

20. 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 in order to perform its duties. All employees and co-workers are directed to co-operate with any request made by the Committee.

21. The Committee is authorised by the Board to obtain, at the Company’s expense, outside legal, accounting 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.

22. The Committee is authorised by the Board to have the right to publish in the Company’s Annual Report details of any issues that cannot be resolved between the Committee and the Board.

**Duties**

23. During their tenure, each of the Committee members shall consider their duties and responsibilities under section 172 of the Companies Act 2006 (the “Companies Act”) in performing their role. 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, in a way that complies with the responsibilities of audit committees as laid out in the Financial Conduct Authority’s Disclosure Guidance and Transparency Rules:

**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 Board
Audit & Risk Committee
Terms of Reference

Committee, focusing particularly on:

(i) the integrity of the Company's financial statements, including the strategic report and statements relating to 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) the methods used to account for significant or unusual transactions where different approaches are possible;

(iv) major judgmental areas;

(v) whether the Company has made appropriate estimates and judgments, taking into account the external auditor’s views on the financial statements;

(vi) significant adjustments resulting from the external audit and any unadjusted items identified during the external audit;

(vii) the clarity and completeness of statements made including: viability statements and the appropriateness of adopting the going concern assumption in annual and half yearly financial statements of the Company, and also identify any material uncertainties to the Company’s ability to continue to do so over a period of at least twelve months from the date of approval of the annual and half yearly financial statements;

(viii) compliance with accepted accounting standards; and

(ix) compliance with relevant US and UK regulatory and legal requirements;

(b) where requested by the Board, to provide advice on whether the Annual Report (and by extension similar price-sensitive reports to regulators), taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company’s position, performance, business model and strategy and whether it informs the Board’s statement in the Annual Report on these matters that is required under the Code;

External Auditors

(c) initiate and supervise 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 negotiating and agreeing the remuneration of the external auditors. The Committee shall have regard to the relevant regulations of the Competition and Markets Authority Order, in particular the requirement for the Company to put its statutory audit out to tender at least once every 10 years, and the European Union Regulation and Directive on mandatory audit contract tendering and audit firm rotation respectively as implemented in the UK in the Companies Act, and shall conduct any such tender;

(d) oversee the selection procedure for the appointment of external auditors in accordance with applicable Code and regulatory requirements, ensuring that all tendering firms have access to all necessary information and individuals during the tendering process;

(e) be directly responsible for the remuneration, effectiveness and oversight of the work of the
external auditors performed for the purpose of the external audit. Such oversight shall include the:

- selection procedure for the appointment of audit firms;
- 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;

(f) pre-approve or otherwise approve in advance all audit and non-audit services (other than those expressly prohibited) undertaken by the Company’s external auditors

(g) develop and recommend to the Board the Company’s policy on the provision of non-audit services by the auditor, taking into account legal requirements and guidance, and keep the policy under review;

(h) 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;

(i) 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;

(j) seek reassurance from the external auditor and their staff that they have no relationships with the Group which could adversely affect the external auditor’s independence and objectivity and 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, including guidance on rotation of the audit partner and staff;

(k) assess annually the qualifications, expertise, resources, independence and objectivity of the external auditors and the effectiveness of the external audit process. This review shall take into consideration relevant law, regulation, the Ethical Standard and other professional and regulatory requirements and the Group’s relationship with the auditor as a whole, including any threats to the auditor’s independence and objectivity the safeguards applied to mitigate those threats including the provision of any non-audit services;

(l) in the event that the Company’s external auditor resigns, conduct an investigation to understand the reasons for their resignation and consider whether any action is required;

(m) 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, taking into account the Ethical Standard and legal requirements;
(n) discuss with the external auditors before the external audit commences the nature and scope of the external audit;

(o) 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);

(p) review the external auditors’ audit reports and presentations and management's response with particular focus on major issues arising from the external audit, the auditor’s explanation of how the risks to audit quality were addressed, significant judgements taken, the auditor’s view of their interactions with senior management and level of errors identified in the external audit;

**Global internal control & compliance**

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

(r) review and approve the role and mandate of internal audit, monitor and review the effectiveness of its work, and monitor the internal audit function to ensure it is appropriate for the current needs of the Group;

(s) monitor and review the effectiveness of Audit & Assurance and the Risk Oversight & Compliance Council especially in the context of the Company's risk management system and the work of the external auditor;

(t) ensure that:

   (i) internal audit has an unrestricted scope, the necessary resources, access to information to enable it to fulfil its mandate effectively;
   
   (ii) ensure there is open communication between different functions;
   
   (iii) and ensure that the internal audit function has appropriate standing in the Company and is equipped to perform in accordance with appropriate professional standards for internal auditors; and
   
   (iv) ensure the internal auditor has direct access to the Company Chair and to the Committee Chair;

(u) 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;

(v) have oversight of the Group’s compliance with section 404 of the US Sarbanes-Oxley Act of 2002;

(w) review throughout the year integrated Assurance reports comprising business unit and corporate function reports including relevant highlights from Audit & Assurance and Compliance reports and any other relevant inputs;

(x) 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;

(y) 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;
Audit & Risk Committee
Terms of Reference

(z) monitor the internal audit function and system of internal control and risk management covering all material controls and review their effectiveness at least annually and advise on any significant failings or weaknesses identified during the review, prior to the Board making its statement in the Annual Report thereon;

(aa) where requested by the Board provide advice on how, taking into account the Company’s position and principal risks, the prospects of the Company have been assessed, over what period and why the period is regarded as appropriate. The Committee should also provide advice on whether there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities when falling due over the said period drawing attention to any qualifications or assumptions as necessary prior to the Board making their statement in the Annual Report;

(bb) review annually the key risks inherent and emerging in the business and the system of internal control necessary to monitor such risks and where requested by the Board provide it with assurance of the robustness of its assessment of the management of principal risks prior to the Board making its statement thereon; specifically the Committee shall:

i. monitor the Enterprise Risk Map of all the Company’s Enterprise Risks and the process by which they are prioritised;

ii. to have oversight of the Enterprise Risks determined by the Board to be most relevant to the Committee’s areas of expertise and responsibility. These currently include:

- Financial Controls & Reporting
- Information Security
- Privacy
- Anti-Bribery & Corruption; and
- Commercial Practices

iii. be responsible for the oversight of the financial components of the Company’s separation programme as part of the creation of two new companies: a Biopharma company and a Consumer Healthcare company;

(cc) consider the findings of major internal investigations and management’s response;

(dd) review throughout the year Group procedures for compliance with any applicable sanctions regimes;

(ee) review throughout the year Group procedures for detecting fraud;

(ff) review throughout the year Group procedures and controls for preventing bribery and receive reports on non-compliance;

(gg) 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;

(hh) 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;
(ii) 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;

(jj) receive an annual report from the CEO and the CFO 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

(kk) on behalf of the Board, ensure that procedures are established and monitored for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal control and auditing matters, misconduct and possible breaches of GSK’s Code of Conduct and any other relevant matter;

(ll) establish and monitor procedures for the confidential and anonymous submission of concerns from the workforce of the Company regarding accounting, auditing or other matters and to ensure appropriate follow up action is taken. The Committee shall ensure that these procedures allow proportionate and independent investigation of such matters and appropriate follow-up action; and

Other Matters

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

Authorised Investment Instruments and Counterparty Limits

24. The Committee shall, on behalf of the Board, approve changes between Board meetings to the Authorised Investment Instruments and Counterparty Limits as set out in the Treasury Policies.

Legal and Regulatory Developments

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

Performance Appraisal & Review

26. 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.

Resources and Training

27. The Committee shall have access to sufficient resources in order to carry out its duties, including access to the Company’s Secretariat for assistance as required.

28. The Committee shall be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.
Risk Oversight & Compliance Council (the “ROCC”)

29. The Committee will be assisted in undertaking its duties by the ROCC.

Disclosure Committee

30. 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

31. The Committee Chair shall keep the Board informed of Committee activity and engage with the Board as appropriate on key decisions.

32. Secretary shall circulate the minutes of meetings of the Committee to all members of the Board.

33. The Committee shall make regular reports, including in relation to any significant issues it considered in relation to the financial statements and its assessment of the effectiveness of the external audit process, to the Board and will promptly draw to the Board’s attention matters requiring action or improvement. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

34. 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.

35. The Committee’s Report for inclusion in the Company’s Annual Report shall describe the work of the Committee in discharging its responsibilities and also should specifically include:

   (a) a summary of the role and work of the Committee;

   (b) how the Committee’s performance evaluation has been conducted;

   (c) the significant issues that the Committee considered in relation to the financial statements, and how these issues were addressed, having regard to matters communicated to it by the external auditor;

   (d) confirmation that the Board has carried out a robust assessment of the principal and emerging risks facing the Company, a description of its principal risks, the procedures in place to identify emerging risks and an explanation as to how they are being managed and mitigated;

   (e) an explanation of how it has assessed the effectiveness and independence of the external audit process and the approach taken to the appointment or reappointment of the external auditor, and information on the length of tenure of the current audit firm and when a tender was last conducted and advance notice of any retendering plans; and

   (f) where the external auditor provides non-audit services, an explanation of how auditor objectivity and independence is safeguarded.

Publication of Terms of Reference

36. These Terms of Reference shall be made available on the Company’s website.