

Corporate governance

This section discusses GlaxoSmithKline's management structures and governance procedures.

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The Board

Sir Richard Sykes^c (Aged 58)

Non-Executive Chairman. Sir Richard was Chairman of Glaxo Wellcome plc from 1997 until the completion of the merger to form GlaxoSmithKline plc. He is Rector of Imperial College of Science, Technology & Medicine. He has a Doctorate in Microbial Biochemistry from Bristol University and a Doctor of Science degree from the University of London. A Fellow of the Royal Society, he sits on a number of government and scientific committees. He received his knighthood for services to the pharmaceutical industry. He is also a Non-Executive Director of Rio Tinto plc.

Sir Roger Hurn^{df} (Aged 62)

Non-Executive Deputy Chairman. Sir Roger was appointed a Non-Executive Director of Glaxo Wellcome plc in 1996 and Deputy Chairman in 1997. He is Non-Executive Chairman of Marconi plc and Prudential public limited company and a Non-Executive Director of ICI plc. He is also Chairman of the Court of Governors of the Henley Management Centre.

Sir Peter Walters^{bd} (Aged 70)

Non-Executive Deputy Chairman. Sir Peter had been a Non-Executive Director of SmithKline Beecham plc since 1989 and Chairman from 1994 until completion of the merger. His other appointments include those of Non-Executive Deputy Chairman of HSBC Holdings PLC and Chairman of the Institute of Economic Affairs. He was a Non-Executive Director of Saatchi & Saatchi PLC.

Dr Jean-Pierre Garnier^d (Aged 53)

Chief Executive Officer. Dr Garnier was appointed an Executive Director of SmithKline Beecham plc in 1992. He served as Chairman, Pharmaceuticals from 1994 until his appointment as Chief Operating Officer in 1995 and became Chief Executive Officer in April 2000. He is a Non-Executive Director of United Technologies Corporation and a member of the Board of Trustees of the Eisenhower Exchange Fellowships. He holds a PhD in pharmacology from the University of Louis Pasteur in France and an MBA from Stanford University in the USA.

John Coombe^d (Aged 56)

Chief Financial Officer. Mr Coombe was formerly an Executive Director of Glaxo Wellcome plc where he was responsible for Finance and Investor Relations. He is a member of the UK Accounting Standards Board and Chairman of The Hundred Group.

Paul Allaire^f (Aged 62)

Non-Executive Director. Mr Allaire was formerly a Non-Executive Director of SmithKline Beecham plc. He is Chairman of Xerox Corporation and a Non-Executive Director of J P Morgan & Co. Inc., Lucent Technologies Inc., Sara Lee Corporation and priceline.com Inc.

Dr Michèle Barzach^f (Aged 57)

Non-Executive Director. Dr Barzach was formerly a Non-Executive Director of Glaxo Wellcome plc. She is Chairman of the External Advisory Panel for Health, Nutrition and Population for the World Bank and Director of the Board of International AIDS Vaccine Initiative. A consultant on health strategy, she was formerly French Minister of Health and the Family.

Derek Bonham^a (Aged 57)

Non-Executive Director and Chairman of GlaxoSmithKline's Audit Committee. Mr Bonham was formerly a Non-Executive Director of Glaxo Wellcome plc. He is Non-Executive Chairman of Cadbury Schweppes plc, Imperial Tobacco Group plc and Fieldens plc and a Non-Executive Director of TXU Corporation.

Mr Bonham will not be seeking election to the Board at the Annual General Meeting in May 2001.

Sir Christopher Hogg^{bd} (Aged 64)

Non-Executive Director. Sir Christopher was formerly a Non-Executive Director of SmithKline Beecham plc. He is Non-Executive Chairman of Reuters Group PLC and Allied Domecq PLC and a Non-Executive Director of Air Liquide S.A. He is also Chairman of The Royal National Theatre Board.

Peter Job^b (Aged 59)

Non-Executive Director. Mr Job was formerly a Non-Executive Director of Glaxo Wellcome plc. He is the Chief Executive of Reuters Group PLC and is a Non-Executive Director of Schroders plc.

John McArthur^f (Aged 66)

Non-Executive Director. Mr McArthur was formerly a Non-Executive Director of Glaxo Wellcome plc. He is a former Dean of the Harvard Business School, and is a Non-Executive Director of BCE Inc., Cabot Corporation, Rohm and Haas Company, Springs Industries Inc. and The AES Corporation.

Donald McHenry^f (Aged 64)

Non-Executive Director. Mr McHenry was formerly a Non-Executive Director of SmithKline Beecham plc. He is a Distinguished Professor in the Practice of Diplomacy at the School of Foreign Service at Georgetown University and President of the IRC Group, LLC. His other Non-Executive Directorships include Coca-Cola Company, FleetBoston Financial Corporation and AT&T Corporation. He previously served as Ambassador and US Permanent Representative to the United Nations.

Sir Ian Prosser^b (Aged 57)

Non-Executive Director. Sir Ian was formerly a Non-Executive Director of SmithKline Beecham plc. He is Chairman of Bass PLC and Non-Executive Deputy Chairman of BP Amoco plc. He is also a member of the World Travel & Tourism Council and the CBI President's Committee.

Dr Ronaldo Schmitz^b (Aged 62)

Non-Executive Director. Dr Schmitz was formerly a Non-Executive Director of Glaxo Wellcome plc. He is a Non-Executive Director of Legal & General Group plc and a member of the Board of Directors of Rohm and Haas Company and Cabot Corporation. He was formerly a member of the Board of Executive Directors of Deutsche Bank AG.

Dr Lucy Shapiro (Aged 60)

Non-Executive Director. Dr Shapiro was formerly a Non-Executive Director of SmithKline Beecham plc. She is Professor in the Department of Developmental Biology and Director of the Beckman Centre at the Stanford University School of Medicine. She holds a PhD in molecular biology from Albert Einstein College of Medicine.

John Young^e (Aged 68)

Non-Executive Director and Chairman of GlaxoSmithKline's Remuneration & Nominations Committee. Mr Young was formerly Non-Executive Vice Chairman of SmithKline Beecham plc. His other non-executive appointments include directorships of Chevron Corporation, Lucent Technologies Inc, Affymetrix Inc and Perlegen Sciences Inc and the Vice-Chairmanship of Novell, Inc.

Membership of Board committees is indicated by the following symbols:

| | Chairman | Member |
|----------------------------|----------|--------|
| Audit | a | b |
| Finance | c | d |
| Remuneration & Nominations | e | f |

Corporate Executive Team

JP Garnier

Chief Executive Officer

Dr Garnier was the Chief Executive Officer of SmithKline Beecham. He joined SmithKline Beecham in 1990 as president of its pharmaceutical business in North America and served as Chairman, Pharmaceuticals, from 1994 until his appointment as Chief Operating Officer in 1995. He was elected to SmithKline Beecham's Board of Directors in 1992.

Jim Beery

Senior Vice President & General Counsel

Mr Beery was the Senior Vice President, General Counsel and Corporate Secretary, for SmithKline Beecham, having joined the company in 1994. He is responsible for legal matters across the Group. He will retire from GlaxoSmithKline in June 2001.

John Coombe

Chief Financial Officer

Mr Coombe was the Group Finance Director of Glaxo Wellcome plc. He joined Glaxo in 1986 as Group Financial Controller and was appointed to the Board in 1992 as the Executive Director responsible for finance. He subsequently added responsibility for investor relations.

Bob Ingram

Chief Operating Officer & President Pharmaceutical Operations

Mr Ingram was Chief Executive of Glaxo Wellcome plc and Chairman of its US subsidiary, Glaxo Wellcome Inc. He joined Glaxo Inc. in 1990 from Merck, and was appointed to the Board of Glaxo Wellcome in 1995. In 1997 he became Chief Executive of Glaxo Wellcome, responsible for global business operations.

Jim Nidel

Chief Science & Technology Officer

Dr Nidel was the Glaxo Wellcome Executive Director responsible for Science & Technology. He was appointed to the Glaxo Wellcome Board in 1995 with responsibility for Group Research and Development. Before he joined Glaxo Wellcome in 1988, he was Professor of Medicine and Chief of the Division of Clinical Pharmacology at Duke University Medical Center.

James Palmer

Senior Vice President Clinical Development Pharmaceuticals R&D

Dr Palmer was responsible for all Glaxo Wellcome's medical, regulatory and product strategy activities worldwide. A physician by training, he joined Glaxo in 1985. He was a member of Glaxo Wellcome's Commercial Operations Committee.

Dan Phelan

Senior Vice President Human Resources

Mr Phelan was appointed Senior Vice President and Director, Human Resources, SmithKline Beecham, in 1994. Before that he was Senior Vice President and Director, Operations and Administration, Research and Development. In 1989, he was appointed Vice President and Director, Personnel – US, Pharmaceuticals. He joined SmithKline Beecham as Manager of Labour Relations in 1981.

Howard Pien

President Pharmaceuticals International

Mr Pien became President, Pharmaceuticals, SmithKline Beecham, in 1998, with responsibility for the commercial operations of the worldwide Pharmaceuticals business. He has held key positions in the USA, the UK and north Asia. He joined SmithKline Beecham in 1991 having worked at Abbott Laboratories and Merck.

David Stout

President US Pharmaceuticals

Mr Stout was appointed President, Pharmaceuticals, North America, SmithKline Beecham, in 1998. He joined SmithKline Beecham in 1996 as Senior Vice President and Director, Sales and Marketing – US. Before that he was President of Schering Laboratories with responsibilities including US pharmaceutical operations and worldwide manufacturing.

Tim Tyson

President Global Manufacturing & Supply

Mr Tyson was appointed Senior Vice President and Director, Worldwide Manufacturing & Supply, Glaxo Wellcome, in 1998. He was previously Vice President and General Manager of Business Operations for Glaxo Wellcome Inc. He joined the company in 1988. He was a member of the Glaxo Wellcome Commercial Operations Committee.

Chris Viehbacher

President Pharmaceuticals Europe

Mr Viehbacher was appointed to the Glaxo Wellcome Commercial Operations Committee as the Regional Director for Europe. He became Director, Continental Europe, in January 1999 in addition to his role as Chairman and Chief Executive (President Directeur General) of Glaxo Wellcome France. He joined Glaxo Wellcome in 1988.

Tachi Yamada

Chairman Research & Development

Previously President, SmithKline Beecham Healthcare Services, Dr Yamada was appointed Chairman, Research and Development, Pharmaceuticals, in 1999. He is a former Director of SmithKline Beecham. He was formerly Chairman of the Department of Internal Medicine at the University of Michigan Medical School and Physician-in-Chief of the University of Michigan Medical Center.

Jack Ziegler

President Consumer Healthcare

Appointed as President of Consumer Healthcare, SmithKline Beecham, in 1998, Mr Ziegler was responsible for the company's global Consumer Healthcare operations. He joined SmithKline Beecham in 1991 as head of the North American Consumer Healthcare division, became President of the North America Division and in 1996 was appointed Executive Vice President.

Merger of Glaxo Wellcome and SmithKline Beecham

GlaxoSmithKline plc acquired Glaxo Wellcome plc and SmithKline Beecham plc by way of a scheme of arrangement for the merger of the two companies that became effective on 27th December 2000. Until that date Glaxo Wellcome and SmithKline Beecham operated as separate companies under the management of their respective Boards of Directors.

The Directors of Glaxo Wellcome and SmithKline Beecham during the year 2000 were:

Glaxo Wellcome plc

Sir Richard Sykes, Chairman
 Sir Roger Hurn, Non-Executive Deputy Chairman
 Robert Ingram, Chief Executive
 Dr Michèle Barzach, Non-Executive
 Derek Bonham, Non-Executive
 James Cochrane
 John Coombe
 Peter Job, Non-Executive
 Professor Arthur Li, Non-Executive
 John McArthur, Non-Executive
 Dr James Nidel
 Dr Ronaldo Schmitz, Non-Executive
 Jeremy Strachan

SmithKline Beecham plc

Sir Peter Walters, Non-Executive Chairman
 Jan Leschly, Chief Executive. Retired 28th April 2000
 Jean-Pierre Garnier, Chief Executive from 28th April 2000
 Paul Allaire, Non-Executive
 Andrew Bonfield
 Sir Christopher Hogg, Non-Executive
 Baroness Hooper, Non-Executive
 Donald McHenry, Non-Executive
 Sir Ian Prosser, Non-Executive
 Dr Lucy Shapiro, Non-Executive
 Dr Tadataka Yamada
 John Young, Non-Executive

Incorporation of GlaxoSmithKline

The company was incorporated as a limited company on 6th December 1999 and subsequently changed its name to GlaxoSmithKline plc. It converted to a public limited company on 22nd May 2000. The company did not itself trade from incorporation until 27th December 2000, when it acquired Glaxo Wellcome and SmithKline Beecham. The first report and financial statements of the company cover the period from incorporation to 31st December 2000, and include the results of the separate Glaxo Wellcome and SmithKline Beecham businesses for the year 2000.

Directors of GlaxoSmithKline

During the period from incorporation to 23rd May 2000, the following served as directors of the company:

| | |
|----------------------------|--|
| Drusilla Rowe | 6th December 1999 to 13th January 2000 |
| Eleanor Zuercher | 6th December 1999 to 13th January 2000 |
| Antonia Rees | 13th January 2000 to 28th January 2000 |
| Hackwood Directors Limited | 28th January 2000 to 15th May 2000 |
| Robert Stern | 13th January 2000 to 15th May 2000 |
| Rupert Bondy | 16th May 2000 to 23rd May 2000 |
| Stephen Cowden | 16th May 2000 to 23rd May 2000 |

The directors listed under 'The Board' (page 30) were appointed on 23rd May 2000 and have served since that date.

The Board and Executive

Board

The Board of GlaxoSmithKline plc is responsible for the Group's system of corporate governance and is ultimately accountable for the Group's activities, strategy and financial performance. The Board comprises Executive and Non-Executive Directors. The role of Non-Executive Directors is to bring independent judgement to Board deliberations and decisions.

Sir Richard Sykes is Non-Executive Chairman and Dr Jean-Pierre Garnier is Chief Executive.

Sir Roger Hurn and Sir Peter Walters are Non-Executive Deputy Chairmen.

Sir Richard Sykes was employed by Glaxo Wellcome plc as Executive Chairman. All of the other Non-Executive Directors are considered to be independent. Given that two Non-Executive Deputy Chairmen have been appointed, each independent, the company does not consider it necessary to appoint either one as senior independent director.

The Board meets regularly throughout the year. It has a formal schedule of matters reserved to it for decision but otherwise delegates specific responsibilities to Board committees, as described below. The Board works to an agreed agenda in reviewing the key activities of the business, and receives papers and presentations to enable it to do so effectively. Minutes of Board committees, except the Remuneration & Nominations Committee, are placed on the agenda of the Board. The Company Secretary is responsible to the Board, and is available to individual Directors, in respect of Board procedures.

The Company Secretary is Simon Bicknell.

Board committees

The Audit Committee reviews the financial and internal reporting process, the system of internal control and management of risks and the external and internal audit process. The Committee consists entirely of Non-Executive Directors. It meets four times a year with the Chief Executive Officer, the Chief Financial Officer, the heads of internal audit and corporate compliance and the external auditors in attendance.

The Finance Committee reviews and approves the major financial and securities transactions of the company, as well as dividends, results announcements and the business of the Annual General Meeting.

The Remuneration & Nominations Committee determines the terms of service and remuneration of the Executive Directors and Corporate Officers and considers appointments of Directors and Corporate Officers. The Committee consists entirely of Non-Executive Directors. The Chief Executive Officer attends meetings except when his own remuneration is being considered.

Corporate Executive Team

The executive management of the Group is the responsibility of the Chief Executive Officer and other senior managers, who form the Corporate Executive Team. The members of the Corporate Executive Team and their responsibilities are listed under 'Corporate Executive Team' (page 31).

Remuneration of Directors

Information on the remuneration of Directors is given in the Remuneration report.

Dialogue with shareholders

The company reports formally to shareholders twice a year, when its half-year and full-year results are announced and a full Report and/or summary Review are issued to shareholders. At the same time the Chief Executive Officer and Chief Financial Officer give presentations on the results to institutional investors, analysts and the media in London and in New York.

The company announces financial results quarterly.

The Annual General Meeting of the company takes place in London and formal notification is sent to shareholders at least one month in advance. At the Meeting a business presentation is made to shareholders and all Directors are available, formally during the Meeting, and informally afterwards, for questions. Details of the 2001 Annual General Meeting are set out in the following section 'Annual General Meeting'.

The Chief Executive Officer and Chief Financial Officer maintain a dialogue with institutional shareholders on company plans and objectives through a programme of regular meetings. They both speak regularly at external conferences and presentations.

The company's Investor Relations department, with offices in London and Philadelphia, acts as a focal point for contact with institutional investors throughout the year.

The company's internet site gives access to current financial and business information about the Group.

Annual General Meeting

The company's Annual General Meeting will be held at 2.30pm on 21st May 2001 at The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE.

Directors

All the Directors are required to retire under article 98 of the company's Articles of Association. With the exception of Mr Bonham, all the Directors are presenting themselves for election at the Annual General Meeting. Biographical details of each Director are given under 'The Board' (page 30).

Auditors

Resolutions will be proposed to appoint PricewaterhouseCoopers as auditors and to authorise the Directors to determine their remuneration.

Special business

The company will seek to:

- authorise donations to EU Political Organisations and incur EU Political Expenditure
- authorise the Directors to allot shares up to a maximum of one third of the current issued share capital
- give the Directors authority to dis-apply pre-emption rights when allotting new shares in certain circumstances up to a maximum of five per cent of the current issued share capital
- obtain authority to purchase its own Ordinary Shares up to a maximum of just under ten per cent of the current issued share capital.

Accountability and control

Glaxo Wellcome and SmithKline Beecham

Glaxo Wellcome and SmithKline Beecham operated as separate companies under the management of their respective Boards of Directors until completion of the merger on 27th December 2000.

Both companies operated broadly similar processes of internal control, based on an assessment of risks and a framework of control procedures to manage risks and to monitor compliance with procedures. In the case of both companies the process accorded with the guidance on internal control issued by the Turnbull Committee in 1999.

In Glaxo Wellcome, co-ordination of internal control reporting was the responsibility of the Company Secretary, who received reports from functional and operational compliance groups for upwards reporting to the Executive Committee and the Audit Committee. SmithKline Beecham had established a Risk Oversight Compliance Council, supported by a Corporate Compliance department, to co-ordinate internal control and risk management activities and to assist the Audit Committee to perform its responsibilities with respect to internal control.

GlaxoSmithKline has brought together and adopted the procedures previously operated by Glaxo Wellcome and SmithKline Beecham. The discussion which follows sets out the procedures of accountability and control that will operate in GlaxoSmithKline, which are consistent with those followed by Glaxo Wellcome and SmithKline Beecham throughout 2000.

GlaxoSmithKline – control framework

GlaxoSmithKline operates, and attaches importance to, clear principles and procedures designed to achieve the accountability and control appropriate to a science-based business operating multinationally in a highly regulated business sector. There is central direction, resource allocation and risk management of the key functional activities of commercial strategy, research and development, manufacture, information systems, human resources and financial practice. Commercial and financial responsibility is clearly delegated to local operating units, supported by a regional management structure.

These principles are designed to provide an environment of central leadership and local operating autonomy as the framework for the exercise of accountability and control within the Group. The key functional activities and management sectors are represented on the Corporate Executive Team.

There is an ongoing process for identifying, evaluating and managing the significant risks affecting the business and the policies and procedures by which these risks are managed. The process accords with the guidance on internal control issued by the Turnbull Committee in 1999. The assessment of Group risks is reviewed and updated at least annually. At the operating level, business units are required to have processes of risk mapping and assessment. Independent specialist teams review and report on compliance.

The company has identified a number of key areas of risk which are subject to regular reporting.

Environment and safety

Risk management is addressed through a comprehensive architecture that sets targets and provides guidance on how they can be achieved.

Manufacturing

GlaxoSmithKline's policy is for all manufacturing to be carried out to corporate standards which meet or exceed the applicable requirements of regulatory bodies such as the US Food and Drug Administration. Regular audits of manufacturing facilities against these standards are carried out by an independent internal specialist team.

Clinical trials

All trials are carried out in accordance with strict Good Clinical Practice guidelines and regulations aimed at ensuring the integrity of the resulting data and the safety of all human subjects in the trials. These procedures are subject to audit by an independent internal specialist team.

Pre-clinical studies

All trials undertaken to support the safety of new compounds are required to be conducted using Good Laboratory Practices (GLP). These GLPs are dictated by strict worldwide regulations. All elements of these studies are subject to audit by an independent internal specialist team to monitor compliance.

Financial reporting

There is a comprehensive budgeting system with an annual plan approved by the Directors. The results of operating units are reported monthly and compared to the plan. Forecasts are prepared regularly throughout the year. The company announces results on a quarterly basis.

Investment appraisal

There is a clearly defined framework for controlling capital expenditure including the use of appropriate authorisation levels. Capital expenditure applications are made in a consistent format which includes review of the commercial and strategic rationale for the investment.

Treasury operations

Treasury operations are governed by policies approved by the Board and are subject to internal and external audits.

Operating unit controls

Financial controls and procedures including information systems controls are detailed in policies and procedures manuals. Written confirmation of compliance with internal control policies is obtained from the Finance Directors and General Managers of all operating units annually. Operating units complete Self-Assessment Questionnaires on business risks and internal controls which are reviewed by both the company's internal and external auditors.

Risk Oversight and Compliance Council (ROCC)

The ROCC is responsible for co-ordinating the internal control and risk management activities of the company and ensuring the assignment of designated managers to manage significant risks. Membership comprises the heads of department with internal control, risk management, audit and/or compliance responsibilities. The terms of reference also include ensuring that regular 'gap analysis' is carried out to identify gaps in internal controls and providing reports to the Audit Committee in addition to the reports provided by the separate internal control, audit and compliance departments within the company. The ROCC is supported by the Corporate Compliance department.

Audit Committee and Board

The Audit Committee of the Board has responsibility for reviewing the effectiveness of the system of internal control and management of risks and the process for monitoring compliance with laws and regulations and ethical codes of practice.

The Board receives regular reports on areas of significant risk to the company, and on related internal controls. In addition to its consideration of these reports, the Board reviews annually the overall framework and effectiveness of controls.

Such controls may mitigate but cannot eliminate the risks covered. In addition, there are a number of areas of risk inherent in the company's business where it is necessary to take risk in order to achieve a satisfactory return for shareholders. For example, the development of potential products through clinical trials involves a risk that such products will fail to demonstrate the efficacy or safety necessary to obtain marketing approvals from regulatory bodies. In these cases, it is the company's objective to apply its expertise in prudent management of risk rather than the elimination of risk.

Associated company

The company has a 27 per cent interest in Quest Diagnostics Inc., which is accounted for as an associated company. The activities of Quest are not part of the company's core business and competencies, and the interest in Quest is held only as an investment. The company has not therefore reviewed Quest's system of internal control.

The Combined Code

The company seeks to uphold, and to report on compliance with, best practice in corporate governance. 'The Combined Code – Principles of Good Governance and Code of Best Practice' (the Combined Code) is issued by the UK Listing Authority for the guidance of listed companies.

The Combined Code comprises recommendations as to best practice in terms of the control and reporting functions of the Board of a company. The Combined Code sets out principles under the headings of:

- directors
- directors' remuneration
- relations with shareholders
- accountability and audit

and prescribes more detailed provisions in respect of each principle. Specifically the provisions require directors to report in the Annual Accounts on:

- directors' remuneration
- directors' responsibility for the accounts
- going concern
- internal control.

Compliance

The Directors' report on compliance with the Combined Code, and their reports in accordance with the provisions of the Combined Code, are set out under Directors' statements of responsibility (page 70).

Memorandum and Articles of Association of GlaxoSmithKline

This being the first Annual Report of GlaxoSmithKline plc, the following summary is provided of the principal provisions of the company's Memorandum of Association and Articles of Association, a copy of which has been filed with the Registrar of Companies. The Memorandum contains the fundamental provisions of the company's constitution. The Articles contain the rules for the internal management and control of the company.

Memorandum of Association

The Memorandum of Association of GlaxoSmithKline provides that its principal objects are, among other things, to be the holding company of Glaxo Wellcome and SmithKline Beecham and to carry on business as a general commercial company and to carry on any trade or business or activity of any nature which may seem to the Directors to be capable of being conveniently or advantageously carried on.

Articles of Association

(a) Voting

All resolutions put to the vote at general meetings will be decided by poll. On a poll, every member who is present in person or by proxy shall have one vote for every Ordinary Share of which he is the holder. Unless the Directors otherwise decide, voting rights may not be exercised by a member who has not paid to the company all calls and other sums then payable by him in respect of shares in the company. Unless the Directors otherwise decide, voting rights may not be exercised by a member who has failed for a period of 14 days to provide GlaxoSmithKline with information concerning interests in shares required to be provided under the Companies Act.

(b) Transfer of Ordinary Shares

Any member may transfer his Ordinary Shares which are in certificated form by an instrument of transfer in any usual form or in any other form which the Directors may approve. Such instrument must be properly stamped and lodged with GlaxoSmithKline accompanied by the relevant share certificate(s) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer. Every transfer of Ordinary Shares which are in uncertificated form must be carried out by means of a relevant system, as defined in the Regulations.

The Directors may, in their absolute discretion and without giving any reason, decline to register any transfer of any share which is not a fully paid share. The Articles contain no other restrictions on the transfer of fully paid shares provided (i) the transfer is in favour of not more than four transferees; (ii) the transfer is in respect of only one class of shares; and (iii) the holder of the shares is not in default under the terms of a notice served on him by GlaxoSmithKline pursuant to the provisions of Section 212 of the Companies Act. Notice of refusal to register a transfer must be sent to the transferee within two months of the instrument of transfer being lodged.

The Directors may decline to register a transfer of Ordinary Shares by a person holding 0.25 per cent or more of the existing shares of a class if such person has been served with a direction notice after failure to provide GlaxoSmithKline with information concerning interests in those shares required to be provided under the Companies Act, unless the transfer is shown to the Directors to be an approved transfer (as defined in the Articles) or the transferor is not himself in default and he meets certain conditions set out in the Articles.

The registration of transfers may be suspended at such times and for such periods (not exceeding 30 days in any year) as the Directors may from time to time determine and which have been filed with the Registrar of Companies, either generally or in respect of any class of shares.

Provisions in the Articles will not apply to uncertified shares to the extent that they are inconsistent with:

- (i) the holding of shares in uncertified form;
- (ii) the transfer of title to shares by means of a system such as CREST; and
- (iii) any provisions of the Regulations.

(c) Dividends and distribution of assets on liquidation

The profits of GlaxoSmithKline which are available for distribution and permitted by law to be distributed and which GlaxoSmithKline may from time to time determine, upon the recommendation of the Directors, to distribute by way of dividend in respect of any accounting reference period shall be distributed by way of dividend among holders of Ordinary Shares.

If in their opinion GlaxoSmithKline's profits justify such payments, the Directors may, as far as any applicable legislation allows, pay interim dividends on shares of any class, of such amounts and in respect of such periods as they think fit.

The Directors may withhold payment of all or any part of any dividends or other monies payable in respect of Ordinary Shares from a person who holds a 0.25 per cent or more of the existing shares of a class by serving such a person with a direction notice after his failure to provide GlaxoSmithKline with information concerning interests in those shares required to be provided under the Companies Act.

Except in so far as the rights attaching to, or the terms of issue of, any share otherwise provide, all dividends will be declared, apportioned and paid pro rata according to the amounts paid up on the shares during any portion of the period in respect of which the dividend is paid.

As GlaxoSmithKline has only one class of Ordinary Shares, the holders of such shares will under general law be entitled to participate in any surplus assets in a winding-up in proportion to their shareholdings. A liquidator may, with the sanction of an extraordinary resolution, divide among the members in kind all or part of the assets of GlaxoSmithKline (whether they shall consist of property of the same kind or not) as the liquidator deems fair.

(d) Variation of rights and changes in capital

Subject to the provisions of the Companies Act and to the terms of issue of the shares concerned, the rights attached to any class of shares may be varied with the written consent of the holders of three-quarters in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of shares of that class.

At every such separate meeting, the provisions of the Articles relating to general meetings shall apply, except the necessary quorum shall be at least two persons holding or representing as proxy at least one-third in nominal value of the issued shares of the class (but provided that at any adjourned meeting any holder of shares of the class present in person or by proxy shall be a quorum).

GlaxoSmithKline may by ordinary resolution increase its share capital, consolidate and divide all or any of its shares into shares of a larger nominal amount, cancel any shares not taken or agreed to be taken by any person and, subject to any applicable legislation, sub-divide its shares into shares of a smaller nominal amount.

GlaxoSmithKline may, subject to the provisions of the Companies Act, by special resolution reduce its share capital or any capital redemption reserve, share premium account or other undistributable reserve. GlaxoSmithKline may also, subject to the requirements of the Companies Act and the rights of any of the holders of any class of shares, purchase its own shares.

(e) Unclaimed dividends

Any dividend unclaimed after a period of 12 years from the date when a resolution was passed for payment will be forfeited and revert to GlaxoSmithKline.

GlaxoSmithKline may stop sending dividend warrants by post in respect of any shares if at least two consecutive payments have remained uncashed or are returned undelivered or if one payment has remained uncashed or is returned undelivered and GlaxoSmithKline cannot establish a new address for the holder after making reasonable enquiries but in either case GlaxoSmithKline must resume sending warrants if the holder or any person entitled to the shares by transmission claims the arrears.

(f) Untraced shareholders

GlaxoSmithKline may sell any shares in GlaxoSmithKline after advertising its intention and waiting for three months if the shares have been in issue for at least ten years and during that period at least three dividends have become payable on them and have not been claimed and, so far as any Director is aware, GlaxoSmithKline has not received any indication during the relevant period of the whereabouts of the holder of the shares or any person entitled to them by transmission. Upon any such sale, GlaxoSmithKline will become indebted to the former holder of the shares or the person entitled to them by transmission for an amount equal to the net proceeds of sale.

(g) Limitations on rights of non-resident or foreign shareholders

There are no limitations imposed by the Articles of Association on the rights of non-resident or foreign shareholders except that there is no requirement for GlaxoSmithKline to serve notices on shareholders outside the United Kingdom and the United States.

(h) General meetings of shareholders

GlaxoSmithKline is required to hold an annual general meeting each year. Extraordinary general meetings of shareholders may be called as necessary by the Board and must be called promptly upon receipt of a requisition from shareholders.

(i) Directors' voting powers

Subject to the provisions of the Companies Act, and provided the nature of a Director's interest has been declared to the Directors, a Director is not disqualified by that office from contracting with GlaxoSmithKline in any manner, nor is any contract in which he is interested liable to be avoided, and any Director who is so interested is not liable to account to GlaxoSmithKline or the members for any benefit realised by the contract by reason of the Director holding that office or of the fiduciary relationship thereby established. However, no Director may vote on any resolution relating specifically to his own remuneration.

A Director may (or any firm of which he is a partner, employee or member may) act in a professional capacity for GlaxoSmithKline (other than as auditor) and be remunerated for so doing. A Director may also be or become director or other officer of, or be otherwise interested in, any company promoted by GlaxoSmithKline or in which GlaxoSmithKline may be interested and will not be liable to account to GlaxoSmithKline or the members for any benefit received by him.

(j) Directors' remuneration

Each of the Directors will be paid a fee at such rate as may from time to time be determined by the Directors. Such fees may be satisfied in shares or in any other non-cash form. Any Director who is appointed to any executive office, acts as chairman or vice-chairman, serves on any committee of the directors or performs any other services which the Directors consider to extend beyond the ordinary services of a director shall be entitled to receive such remuneration (whether by way of salary, commission or otherwise) as the Directors or any committee authorised by the Directors may decide. Each Director may be paid reasonable travelling, hotel and other expenses he incurs in attending and returning from meetings of the Directors, of committees of the Directors or of GlaxoSmithKline or otherwise incurred in connection with the performance of his duties for GlaxoSmithKline.

(k) Pensions and gratuities for Directors

The Directors or any committee authorised by the Directors may provide benefits by the payment of gratuities, pensions or insurance or other allowances or benefits for any Director or former Director or their relations, connected persons or dependants.

(l) Borrowing powers

So far as the legislation allows, the Directors may exercise all GlaxoSmithKline's powers to borrow money; to mortgage or charge all or any of GlaxoSmithKline's undertaking, property (present and future), and uncalled capital; to issue debentures and other securities; and to give security either outright or as collateral security for any debt, liability or obligation of GlaxoSmithKline or of any third party.

(m) Retirement and removal of Directors

At every annual general meeting of GlaxoSmithKline, firstly, one-third of the Directors will retire by rotation and be eligible for re-election (or, if one-third is not a whole number, the number of directors to retire is the number which is nearest to one-third). If there are less than three directors, they will all retire. The Directors to retire will be those who were in office at the time of the two previous annual general meetings and who did not retire by rotation at either of them, and, secondly, if the number of directors retiring remains less than the minimum required to retire, those who have been longest in office or, in the case of those who were appointed or re-appointed on the same day, will be (unless they otherwise agree) determined by lot.

No Director is required to retire by reason of his age, nor do any special formalities apply to the appointment or re-election of any Director who is over any age limit.

For the first three years following completion of the merger, termination of the service contracts of Executive Directors will require a board majority of two-thirds.