



Do more, feel better, live longer



About GSK

At GSK our mission is to improve the quality of human life by enabling people to do more, feel better and live longer.

This report describes the progress we are making and how we are operating our business responsibly.

Front cover image

We donated anti-parasitic treatments for over 120 million school-age children in the developing world in 2012, helping to combat the effects of intestinal worms and the cycle of poverty to which they contribute. Intestinal worms are just one of the neglected tropical diseases we are targeting through research, funding, partnerships and a dedicated operating unit established this year.



How to use this report

This interactive pdf allows you to find information and navigate around the report more easily. Where relevant, it links you to additional useful information, including our policy positions, on our website gsk.com

If you are interested in getting just a summary of our responsible business performance, we suggest you read the overview at the beginning of each section. You can find these summary pages [here](#).

▶ Go to the **Overview sections summary**

Guide to the navigation buttons

🏠 Go to main contents page

🔍 Search this PDF

🖨️ Print

⬅️ Go to preceding page

➡️ Go to next page

🔄 Return to last page visited

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The print icon in the navigation allows you to print the whole document in a separate, print-friendly PDF.

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The PDF is set up to view in full screen mode. To turn this off, e.g. to zoom in or to print, press Esc, and the full toolbar is revealed. To return to full screen mode, press Ctrl-L.

Links

Dynamic links within the text are indicated by an ▶ icon or by text shown in the section colour. Clicking on these will take you to further information within the document, or, if a web address, to a related online site (opens in a new window).

Navigation tabs

Clicking on one of the tabs at the top left of each page will take you to the start of that section.

Inside this report

Our approach



Learn about who we are and what we do, and read the Q&A with our Chairman and Chief Executive.

Who we are	3
How we create value	4
Q&A with the Chairman and Chief Executive Officer	6
Our progress in 2012	7
Commitments moving forward	8

▶ Go to **Our approach** section
See page 3

Health for all



Find out how we are developing innovative products and improving access to healthcare for patients around the world.

Overview	11
Improving healthcare: a global challenge	13
Innovative science to create value for all	14
Access to healthcare	18
Diseases of the developing world	24
Health and well-being in our communities	27
HIV/AIDS	30

▶ Go to **Health for all** section
See page 9

Our behaviour



Learn how we are embedding our values to behave ethically and responsibly in everything we do.

Overview	34
Ethical standards and principles	35
Sales and marketing	38
Working with healthcare professionals	40
Research practices	41
Manufacturing and supply chain	45
Public policy and patient advocacy	48
Our approach to tax	50

▶ Go to **Our behaviour** section
See page 32

Our people



Find out how we help our people thrive by creating an inspiring and supportive working environment.

Overview	53
Talent and development	54
Inclusion and diversity	55
Engaging employees	57
Health, safety and well-being	58
Reward and recognition	60

▶ Go to **Our people** section
See page 51

Our planet



Read about how we are managing our environmental impacts and working towards a carbon-neutral value chain.

Overview	63
Carbon	64
Water and waste	66
Managing other impacts	68
Engagement	69
Data summary	70
Summary of assurance statement	71

▶ Go to **Our planet** section
See page 61

Governance and engagement



Find out about our corporate responsibility governance and how we engage with our stakeholders.

Governance	72
Stakeholder engagement	73
About our reporting	73

▶ Go to **Governance and engagement** section
See page 72

Who we are

GSK is a science-led global healthcare company, making a range of products that help people do more, feel better and live longer.

Our values are transparency, respect for people, integrity and patient focus.

Our commercial success depends on growing a diverse business, creating innovative new products people value, making them widely accessible, and operating efficiently. By doing this, we will be able to grow our business and provide benefits to patients, consumers, our employees, our shareholders and society.

What we do

We have three primary areas of business: Pharmaceuticals, Vaccines and Consumer Healthcare.

Pharmaceuticals

£18.0bn
Turnover

We develop and make medicines treating a range of conditions including: respiratory disease, cancer, heart disease, epilepsy, bacterial and viral infections such as HIV, lupus and skin conditions like psoriasis.

68%
of Group



Vaccines

£3.3bn
Turnover

We research and make vaccines for children and adults that protect against infectious diseases, including: influenza, rotavirus, cervical cancer, measles, mumps, rubella, hepatitis, polio, tetanus and meningitis.

13%
of Group



Consumer Healthcare

£5.1bn
Turnover

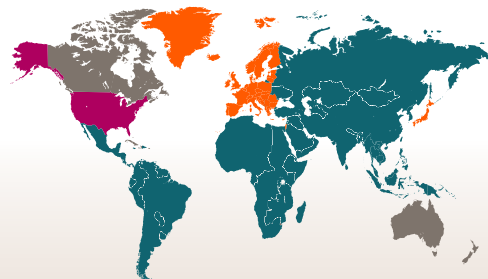
We make innovative consumer products in four categories of Total Wellness, Oral Care, Nutrition and Skin Health. Our portfolio includes well-known brands such as: *Sensodyne*, *Panadol* and *Horlicks*.

19%
of Group

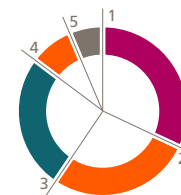


Where we are

We operate in more than 115 countries, with a network of over 70 manufacturing sites and large R&D centres in the UK, USA, Spain, Belgium and China.

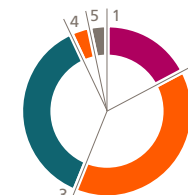


Turnover by region



	£m
1 USA	8,446
2 Europe	7,320
3 EMAP	6,780
4 Japan	2,225
5 Other	1,660

Employees by region



	No.
1 USA	17,201
2 Europe	38,788
3 EMAP	36,738
4 Japan	3,515
5 Other	3,246

How we create value

By delivering innovation and expanding access to our products we will create value to society and our shareholders.

The context

We see both opportunities and challenges in our operating environment. Scientific research is continuously uncovering new understandings about disease processes and technologies.

Meanwhile, the world's population continues to grow as do pressures on healthcare costs, with a notable intensification in developed markets following the recent macro-economic downturn.

Innovation

At the core of our business model is the use of knowledge and development of intellectual property. We create value by researching, manufacturing and making available products that improve people's health and well-being.

A healthier society enables people to live life to its fullest, allowing them and their communities to prosper. A sustained flow of innovative products enables our business to grow profits and deliver improved returns to our shareholders.

We aim to develop new products that offer significant improvements over existing treatment options and therefore provide value to patients and those who pay for them such as governments, insurers or other third parties.

In 2012, we invested £3.5 billion in core research and development of new medicines, vaccines and consumer products and we are currently evaluating around 50 investigational medicines for diseases such as cancer, diabetes,

heart disease and respiratory illnesses. Over the next three years, we have the potential to bring around 15 new medicines to patients.

Access

We manufacture and distribute more than four billion packs of products to over 150 countries around the world. With this extensive global presence, we are striving to make our products as widely accessible as possible.

In Western markets, we have developed new reimbursement approaches for our medicines, where we agree risk-sharing arrangements with payers.

We have adopted more flexible pricing approaches to reflect countries' wealth and ability to pay. This has resulted in significant increases in demand for our products in emerging economies.

To increase access to our products in the world's least-developed countries, we have held the price of our patented medicines in this region at no more than 25% of our developed world prices and we reinvest a fifth of the profits we make from sales in these territories back into local healthcare infrastructure projects.

Sustainable

Developing a new medicine takes many years and substantial investment. We are able to bring the scale, significant resources and expertise required. Each successful medicine will require significant investment over a 10-12 year period.

Sustainability in our business performance is critically important if we are to deliver continued innovation and access to our products. We must produce profitable performance to ensure we remain competitive and have the funds to invest in our people and assets. A key element of this is an environment that appropriately rewards innovation across both patent-protected and branded products.

How we do it

We can only achieve our objectives by utilising our assets, executing our strategic priorities and operating our business responsibly.

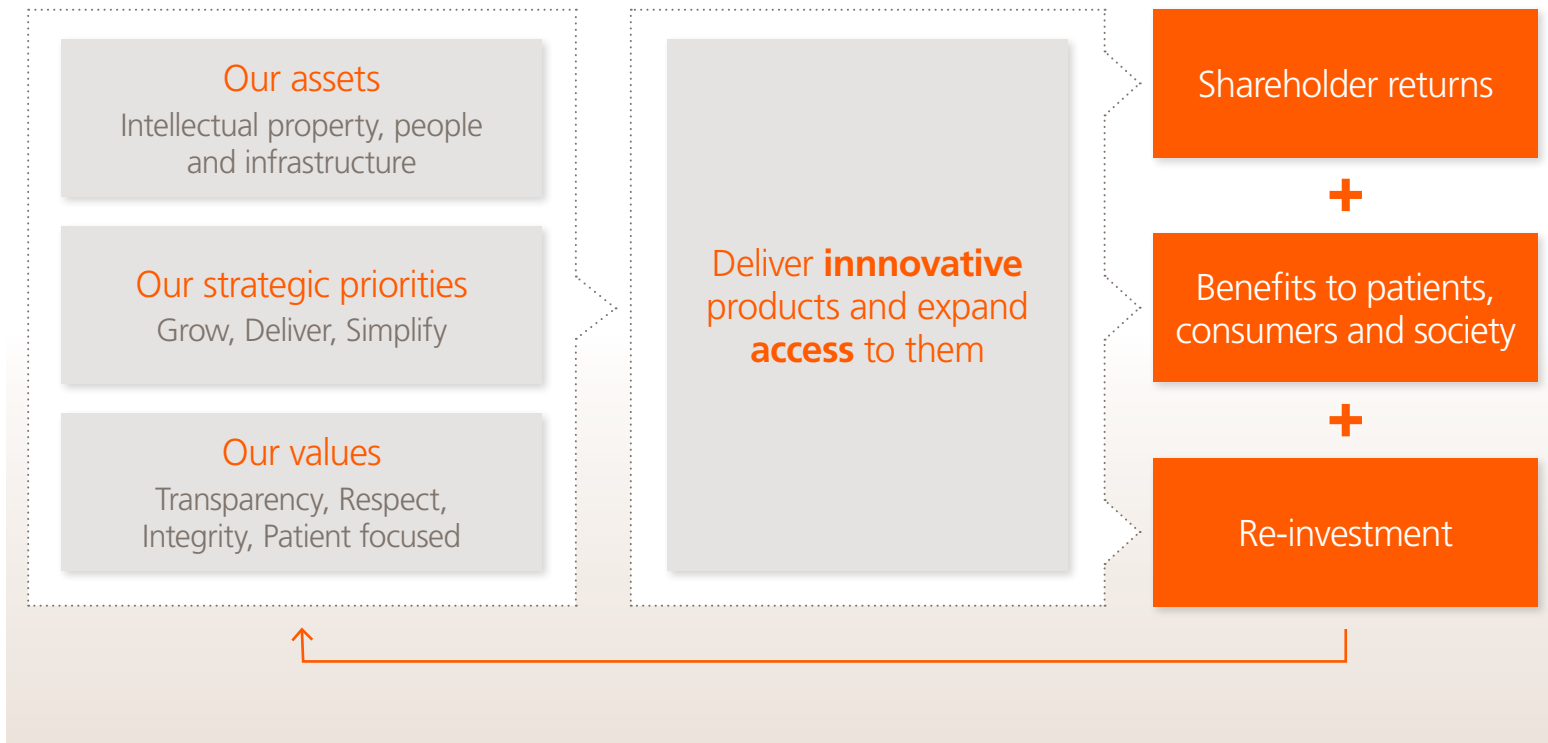
In the past five years, we have made significant progress in the delivery of our strategic priorities.

We have developed a balanced business with geographic diversity and new platforms for growth, in particular through advancement of our late-stage pipeline and changes to our R&D model. At the same time, we have also simplified our business to reduce costs and ensure we retain long-term competitiveness.

Our commitment to be a responsible, values-based business underlies everything we do. Our values are applied across the Group and we are focused on integrating them into our culture, decision-making and how we work. These values are to operate with transparency, demonstrate respect for people, act with integrity and be patient-focused. We ask every one of our employees to embody these values.

How we create value continued

How we create value



Wider contributions

While our primary contribution is to develop new products that improve people's health, we also create value as a global company by making direct and indirect economic and social contributions in the countries in which we operate.

We have a global and diverse employee base consisting of close to 100,000 employees, and we contract goods and services on a significant scale. Last year, GSK spent around £9 billion with 6,000 suppliers across 73 countries.

The company also contributes to the countries in which we operate through the tax system. In 2012, the charge for taxation on our profits amounted to £1.95 billion. Direct contributions to support the health and well-being of local communities relevant to GSK are also made via our global community programmes which amount to over £200 million per year.

Finally, we believe we can create value by acting as a catalyst or partner for other organisations. We value the new and different perspectives that other groups can bring to our thinking. We are open to working with research charities, academia, companies and non-governmental organisations.

Progress highlights

£25bn

Amount returned to shareholders via dividends and buybacks over past five years

1st

in Access to Medicines Index

23

Number of new product approvals in the USA and Europe in the past five years

Q&A with the Chairman and Chief Executive Officer

Despite a challenging environment, we have delivered resilient performance, enhanced returns to shareholders, and made substantive moves to increase access and transparency.



Sir Christopher Gent
Chairman



Sir Andrew Witty
Chief Executive Officer

Q How is operating responsibly tied in with GSK's commercial success?

AW Our commercial success is inextricably linked to operating in a trustworthy and responsible way. Our strategy is to generate diversified sales growth, develop innovative products and make these accessible to as many people who can benefit from them as possible. And we will do this in a way that is aligned with our values of transparency, respect, integrity and always putting patients or consumers needs first. By doing this we will bring positive returns to our shareholders and benefits to patients and wider society. This is real shared value.

Q What progress is the company making to deliver long-term value?

AW R&D made significant progress in 2012 with six new products now under regulatory review. Over the next three years, GSK has the potential to launch around 15 new products globally – a good platform for growth and patient benefit. We have also continued to develop our portfolios and expand our footprint in emerging markets.

Q Where did GSK see strong responsible performance in 2012?

AW Our 2012 commitments to increase transparency of clinical trials data demonstrate the values at the heart of our company. In addition to sharing information about the design and results of all of our clinical trials,

we are setting up a new system to allow researchers to request access to anonymised patient-level data. People participate in our research trials in the hope they might help bring advances in healthcare. Our plans recognise this commitment and reflect our desire to ensure their contribution can lead to health gains. Building on this, we were also the first pharmaceutical company to sign up to the AllTrials campaign for clinical trial transparency and to commit to make our Clinical Study Reports publicly available. We hope these initiatives will help further scientific understanding, inform medical judgement and ultimately improve patient care.

2012 also saw another milestone in our journey towards a malaria vaccine, publishing late stage clinical trial results showing that our RTS,S vaccine candidate can help protect African infants against malaria.

CG I was delighted to see GSK recognised as first in the Access to Medicines Index in 2012, sustaining the top spot from previous years. Such independent and credible assessment of our work to improve access to medicines and vaccines lets us know we are on the right track.

In July 2012, the Group successfully resolved a series of long-standing legal matters with the US Government. These primarily related to historical sales and marketing practices. The Board recognises that these matters do not reflect the company that GSK is today. The company continues to take action at all levels to improve procedures for compliance, marketing and selling and embed a values-based culture in GSK.

Q What issues will be addressed in 2013 and beyond?

AW We will see through the implementation of our commitments on transparency of clinical trials data, continue with our commitments on pricing, and look to further harness manufacturing technologies to improve our carbon footprint.

Q How does the Board assess GSK's responsible performance?

CG The Corporate Responsibility Committee (CRC), which I chair, meets four times a year and receives reports on progress in the four areas outlined in this report – health for all, our behaviour, our people and our planet. The Board continues to constructively challenge and advise on the executive team's thinking and decisions as they seek to deliver the company's strategic priorities in a responsible way.

Q Why is GSK setting longer-term commitments this year?

AW These new commitments signal GSK's long term and strategic intent to play our part and create shared value. They span our entire business, are fully aligned to our strategy and build on our established track record.

CG It is important that those outside the company can understand our priorities and can hold us to account effectively. These new commitments do that, while helping us communicate how we are delivering.

Our progress in 2012

We report our responsible business performance each year as part of our commitment to transparency.

Our approach and the progress we are making to operate our business responsibly is reported across four areas.

Shared value progress 2012

Health for all	Our behaviour	Our people	Our planet
<p>Topped the Access to Medicines Index for the third time. ▶ See page 18</p> <p>Over the next three years we have the potential to bring around 15 new medicines and vaccines to patients. ▶ See page 14</p> <p>Delivered our vaccine to the world's largest mass vaccination programme against pneumococcal disease. The GAVI-led introduction of the pneumococcal vaccine in Pakistan is expected to protect up to 4.8 million children a year. ▶ See page 19</p>	<p>Committed to provide access to anonymised trial data from published clinical trials of our authorised medicines. ▶ See page 41</p> <p>This is in addition to disclosing the results of our research on our publicly accessible Clinical Studies Register website which receives an average of almost 11,000 visitors a month. ▶ See page 33</p> <p>Revised our Code of Conduct. ▶ See page 35</p>	<p>Maintained a rate of 85% of employees saying they are proud to work at GSK. ▶ See page 57</p> <p>Enabled 91 employee volunteers to work in 22 countries through our PULSE assignments. ▶ See page 54</p> <p>Increased the proportion of women in management to 40%, up from 39% in 2011. ▶ See page 55</p>	<p>Despite reducing our carbon from energy use by 15% since 2010, our total carbon footprint (excluding that from raw materials) has increased by 7% from 2010 driven by higher inhaler sales. ▶ See page 64</p> <p>Reduced water consumption in our own operations by 14% compared to 2010. ▶ See page 66</p> <p>Cut total waste by 9% compared to 2010. ▶ See page 66</p>

External recognition

We have received external recognition for our responsible business approach.

Vigeo World, European and UK indexes

Ranked second in the world for environmental, social and governance in this new ranking.



FTSE4Good Index

We have been in the FTSE4Good Index since 2004.



Access to Medicines Index

Ranked top for the third time.



Carbon Disclosure Project Leadership Index

Four consecutive years in the FTSE 350 Carbon Disclosure Leadership index (2009-2012) and highest scoring healthcare company in the FTSE 350 (2012).



Dow Jones Sustainability Index

We are disappointed not to be included in the Dow Jones Sustainability Indexes this year and are reviewing our performance against the criteria for inclusion.

Commitments moving forward

During 2012, we developed forward-looking commitments that reflect global health needs and are aligned with our strategic priorities and values.

These commitments¹ were developed following significant engagement from across the business. We also consulted a broad range of external stakeholders such as global public health experts, non-governmental organisations and socially responsible investors. These commitments will guide our work in these areas in the coming years, enabling us to build on previous achievements and to measure and communicate our progress more effectively. We will begin reporting progress against our new commitments in our next report.

Health for all

Innovating to address currently unmet health needs; improving access to our products, irrespective of where people live or their ability to pay; and controlling or eliminating diseases affecting the world's most vulnerable people.

- Adapt the open innovation R&D model, currently used for diseases of the developing world, to apply to other areas of great unmet medical need and scientific challenge, including infectious disease and Alzheimer's disease, by 2015.
- Invest in the development of vaccines that don't require continuous refrigeration, making distribution easier and less expensive.
- Continue to build a core range of products and formats to better meet the needs of people across the globe, including those less able to access and afford our products.
- Further embed our flexible pricing strategy and innovative business models for our prescription medicines and vaccines, to increase usage among those less able to access and afford our products.
- Continue to invest in innovative cross-sector partnerships to reduce child mortality.
- Continue to work with partners to support the strengthening of healthcare infrastructure. We anticipate this could improve access to healthcare for 20 million under-served people by 2020 (vs 2012).
- Through ViiV Healthcare, continue to increase access to our medicines and care for adults and children living with HIV around the world. We will help WHO and UNAIDS achieve their goal of reaching 15 million people globally with antiretroviral treatment by 2015.
- Build on our 30-year commitment to contribute to the fight against malaria through continued R&D investment and partnerships on the ground.
- Help eliminate and control ten neglected tropical diseases that affect 1.4 billion people, by 2020 – including the elimination of lymphatic filariasis, through our continued investment in R&D, ongoing product donations and our contribution to the London Declaration on Neglected Tropical Diseases.
- Continue to support the WHO objective of eradicating polio by 2018 by providing vaccines to UNICEF until this is achieved.

Our behaviour

Putting the interests of patients and consumers first, driven by our values in everything we do and backed by robust policies and strong compliance processes.

- Continue to drive a values-based approach to sales and marketing practices across the world, with the interests of consumers and patients at its core.
- Continue to ensure the interests and safety of patients and consumers are of paramount importance in the way we design and undertake our clinical trials, our product quality assurance and our monitoring and reporting of adverse events in ongoing product usage.
- Rigorously challenge the need for animal studies and work to minimise the impact on animal welfare, by investing in the development of alternative studies and sharing animal-based data.
- Address the UN Guiding Principles on Human Rights and Business across our own operations and our supplier relationships.
- Be as transparent as possible with our clinical trial data, including publishing clinical study reports (without patient-level data) for all outcome trials of medicines conducted by GSK and, within an appropriate process, making available to researchers access to anonymised patient-level data to further scientific enquiry.
- Demonstrate that all GSK interactions with patient advocacy groups and political stakeholders are conducted appropriately, ethically and transparently.

Our people

Enabling our people to thrive and develop as individuals to deliver our mission.

- Continue to promote inclusion and diversity globally at GSK.
- Continue to create a working environment that inspires people to grow and perform in a healthy and resilient way.
- Extend volunteering opportunities to bring about positive change to communities and global health while providing individual development.

Our planet

Growing our business while reducing our environmental impact across our value chain.

- Reduce our overall carbon footprint by 25% by 2020 (vs. 2010) and have a carbon-neutral value chain by 2050.
- By 2020, reduce our water impact across the value chain by 20% (vs. 2010).
- By 2020, reduce our operational waste by 50% (vs. 2010).
- Build sustainable supply lines for our nutrition portfolio and work with local farmers to improve their agricultural practices, and improve their yields, their competitiveness and their livelihoods.

¹ All commitments are subject to any significant legal or intellectual property restraints.

Health for all

In focus

Giving children a better start in life through deworming.

▶ Read more on page 10

In this section

Overview	11
Improving healthcare: a global challenge	13
Innovative science to create value for all	14
Access to healthcare	18
Diseases of the developing world	24
Health and well-being in our communities	27
HIV/AIDS	30

Health for all

We want to make our products accessible and affordable for the people who need them while generating the returns we need to invest in R&D and grow our business.

The need for new and existing treatments is increasing as the world's population grows and ages. Many millions of people in developing countries still have little or no access to basic healthcare and rising costs are a significant concern everywhere. We continue to evolve our business model to address these global challenges and ensure our business is sustainable.

GSK contributes to improving health by developing innovative and valued products, and supporting disease prevention. Our R&D is focused on meeting unmet medical needs and helping to control and eliminate diseases affecting the world's most vulnerable people.

We are investing to expand our portfolio in new ways and partnering with others to tackle issues outside our core business such as the lack of healthcare infrastructure.

We aspire to be a catalyst for change beyond our company. Many of the changes we have made in our own business – from creating new models of open innovation to more flexible pricing – have already contributed to wider change in the industry.

In focus

Giving children a better start in life through deworming

GSK is playing a leading role in a global coalition of pharmaceutical companies, non-government organisations, governments and global health organisations, committed to work together to control or eliminate 10 of the 17 of the WHO's neglected tropical diseases by 2020.

As part of this commitment, GSK will donate up to 600 million treatments of our anti-parasitic treatment, albendazole, each year to help eliminate lymphatic filariasis (LF), and up to 400 million treatments to fight intestinal worms in school age children. We have already donated over three billion albendazole doses to fight these two devastating diseases.

Intestinal worms affect more than 1.5 billion people worldwide and are one of the biggest causes of ill health in school-age children with an estimated 890 million children at risk.

The effects – including stomach pains, sickness, malnutrition – are painful and debilitating. Intestinal worms can cause stunting physical growth, and affect long-term brain development. Infected children often struggle to attend or stay alert at school, hindering their education and prospects.

In 2012, we provided albendazole treatments for over 120 million school age children. Deworming helps to break the cycle in the developing world. Healthier children are more likely to attend school and get a better education – giving them a better chance of getting good jobs. As the headmistress of a local school in Ghana says, "by controlling worms in children you are investing in their future".

“
by controlling worms in
children you are investing
in their future”



Overview

2012 at a glance

Innovative science to create value for all

Invested £3.5 billion in global research and development. We have over 50 investigational medicines in development, including those targeting cancer, diabetes and heart disease.

▶ See page 14

£3.5^{bn}

Put into the public domain 177 compounds showing promising starting points for new TB medicines, following a screening of our entire pharmaceutical library of more than two million compounds.

▶ See page 17

177

Committed a further £5 million to the Tres Cantos Open Lab Foundation, doubling its funding for independent research into diseases of the developing world at GSK's Open Lab.

▶ See page 17



Access to healthcare

Delivered our vaccine to the world's largest mass vaccination programme against pneumococcal disease. The GAVI-led introduction of *Synflorix* in Pakistan is expected to protect up to 4.8 million children a year.

▶ See page 19

4.8^m

Since our Developing Countries and Market Access unit was established in 2010, the volume of medicines we supply to Least-Developed Countries has increased by nearly 50% from 55 million units in 2010 to 82.5 million in 2012.

▶ See page 18



Established programmes training community health workers in 34 Least-Developed Countries, meeting our commitment to reinvest 20% of profits made in those countries back into developing health infrastructure.

▶ See page 22

34

Diseases of the developing world

Initiated and joined the London Declaration to control or eliminate ten neglected tropical diseases by 2020.

▶ See page 24

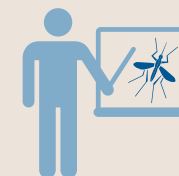
Donated our three billionth albendazole tablet to fight lymphatic filariasis and intestinal worms, and pledged to donate up to a further one billion tablets a year.

▶ See page 24



Published late-stage clinical trial results showing that our RTS,S vaccine candidate can help protect African infants against malaria.

▶ See page 26



Committed to meeting at least 30% of the Global Polio Eradication Initiative's polio vaccine requirements, procured through UNICEF and will continue to support the initiative until every country in the world is declared 'polio free'.

▶ See page 25



Health and well-being in our communities

Donated £206 million to promote the health and well-being of communities through product and financial donations

▶ See page 27

£206^m

HIV/AIDS

ViiV Healthcare submitted regulatory applications for the investigational integrase inhibitor *dolutegravir* and spearheaded a first-of-its-kind public-private partnership to produce a new combination HIV medicine for paediatric use in resource-limited settings.

▶ See page 30



Overview

Our commitments

- Adapt the open innovation R&D model, currently used for diseases of the developing world, to apply to other areas of great unmet medical need and scientific challenge, including infectious disease and Alzheimer's disease, by 2015.
- Invest in the development of vaccines that don't require continuous refrigeration, making distribution easier and less expensive.
- Continue to build a core range of products and formats to better meet the needs of people across the globe, including those less able to access and afford our products.
- Further embed our flexible pricing strategy and innovative business models for our prescription medicines and vaccines, to increase usage among those less able to access and afford our products.
- Continue to invest in innovative cross-sector partnerships to reduce child mortality.
- Continue to work with partners to support the strengthening of healthcare infrastructure. We anticipate this could improve access to healthcare for 20 million under-served people by 2020 (vs 2012).
- Through ViiV Healthcare, continue to increase access to our medicines and care for adults and children living with HIV around the world. We will help WHO and UNAIDS achieve their goal of reaching 15 million people globally with antiretroviral treatment by 2015.
- Build on our 30-year commitment to contribute to the fight against malaria through continued R&D investment and partnerships on the ground.
- Help eliminate and control ten neglected tropical diseases that affect 1.4 billion people, by 2020 – including the elimination of lymphatic filariasis, through our continued investment in R&D, ongoing product donations and our contribution to the London Declaration on Neglected Tropical Diseases.
- Continue to support the WHO objective of eradicating polio by 2018 by providing vaccines to UNICEF until this is achieved.

Post-2015 Development Agenda

The current Millennium Development Goals, which will expire in 2015, include targets for health. GSK is an active partner in ensuring a continued focus on health as a new framework is developed post 2015.

- ▶ For more information about GSK's position read [here](#)

External Perspective

“

We are pleased that most companies examined by the Access to Medicine Index continue to make progress in improving access to medicine for people in developing countries. GlaxoSmithKline has played an important leadership role in setting the pace for others to follow, and this was reflected in the 2012 Index by the company retaining its first place ranking in the Index. Other companies are indeed now following, and are closing the gap on GSK. We look forward in the coming years to observing GSK again stepping up the pace of progress in order to maintain their leadership position.

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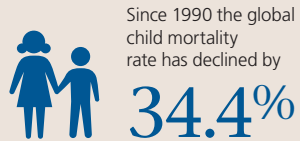
Wim Leereveld, Founder and CEO,
Access to Medicine Foundation

<http://www.accessmedicineindex.org/>

Improving healthcare: a global challenge

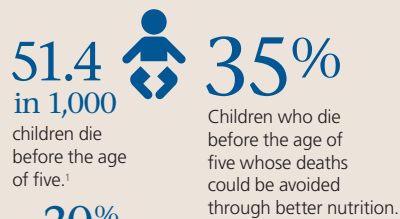
→ Significant progress...

Modern medicine has transformed millions of lives. Many illnesses that were once fatal can now be controlled or treated.

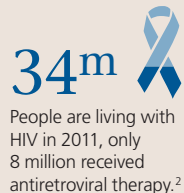


→ ...and the challenge

Huge problems remain. Every year millions of people are affected by curable or preventable illness.



Yet **20%** of these deaths could be prevented with existing vaccines.



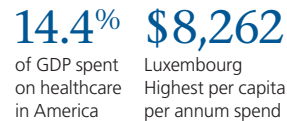
Poverty is a key issue but there are many other complex barriers.

The World Health Organization recommends that countries need to invest at least US\$ 44 per capita per year to guarantee access to essential health services. 29 countries still do not meet this target.



In the... Developed world

- Ageing population
- More chronic disease

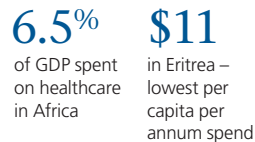


Europe per 10,000 people



Developing world

- Lack of infrastructure
- Lack of education



Africa per 10,000 people



The barriers

Treatments don't exist
Despite advances, more effective treatments are needed for diseases such as tuberculosis and hepatitis C. Developing new treatments takes many years and costs 100s of millions of pounds, often with low commercial returns for diseases that primarily affect developing countries.

Affordability
Price and a lack of resources can prevent governments and people buying the medicines they need. Price reductions can help although for the 2.8 billion people who live on less than \$2 a day, even the cheapest medicines are not affordable.³

Healthcare Infrastructure
Many developing countries lack adequate healthcare facilities and staff numbers. Africa suffers most, with 24% of the global burden of disease but just 3% of health workers.⁴

Resistance to existing treatments
Resistance to antimicrobials is a global challenge. This is a problem for many diseases affecting developing countries, including malaria.

Non-communicable diseases
Ageing populations and the rise in obesity mean that conditions like heart disease, cancer and diabetes are on the rise in all countries – and require treatment over many years. Non-communicable diseases already account for nearly two-thirds of global deaths – and this is expected to increase by 50% by 2030.

Stigma and discrimination
Discrimination and stigma can prevent patients suffering from diseases such as HIV, and even asthma, from accessing treatment.

Our role

GSK is responding to these challenges by:

→ Driving innovative science that creates value for all.

→ Increasing access to medicines by improving affordability.

→ Investing in the treatment of diseases for the developing world.

All figures are based on World Health Statistics 2012, WHO, except where stated.

1 Mortality rate, under-5 (per 1,000 live births), The World Bank Global Report, UNAIDS Report on the Global AIDS Epidemic, 2012.

3 Hunger, Vital statistics, Resource for Speakers on Global Issues, UN.

4 Density of physicians (total number per 1,000 population, latest available year) WHO Global Health Observatory.

Innovative science to create value for all

The biggest contribution we can make to improving health is through scientific innovation – the research and development of new treatments, vaccines and consumer healthcare products.

We are developing our global portfolio to meet the health needs of people around the world, focusing on products that will provide the greatest value to patients and healthcare payers and providers.

We do this through our substantial investment in research and development (R&D), our collaboration with public and private partners, and our strong commitment to open innovation. GSK also advocates public policies that support scientific innovation more broadly.

Meeting the health needs of the world's poorest people is one of our key research objectives. We are committed to finding newer and better medicines and vaccines for patients in developing countries¹ and poorer populations in middle-income countries.

¹ We use the term 'developing countries' to include all of the Least-Developed Countries as identified by the UN (currently 49), the countries of sub-Saharan Africa and all non-EU low-income and middle-income countries as defined by the World Bank.

Key innovations in 2012

We have more than 50 investigational medicines in development, including those targeting cancer, diabetes and heart disease, and four candidate vaccines. From this pipeline, we expect to deliver Phase III data on 14 assets by the end of 2014, and we have the potential to launch 15 new products in the next three years.

Product launches in 2012 included *Potiga* for partial-onset seizures in people with epilepsy and *Votrient* for soft-tissue sarcoma (a rare but aggressive form of cancer) in the USA, and *Avamys* for allergic rhinitis in China. We have also received approval in Europe for the *Nimenrix* vaccine against invasive meningococcal disease and in the USA for *Fluarix Quadrivalent*, our new influenza vaccine, and *MenHibrix*[®], which combines vaccines against *Haemophilus influenzae* type B and meningococcal groups C and Y. Our consumer healthcare division also launched 44 new products in 2012, from *Abreva Conceal* in our Skin Health category to new variants of *Ribena* tailored to the Africa market. See our [Annual Report](#) for more information about our pipeline and 2012 product launches.

Case study



Joining forces in the battle against antimicrobial resistance

GSK is one of five pharmaceutical and biotechnology companies involved in a pioneering public-private collaboration to tackle the rise of infections such as MRSA that are resistant to antibiotics.

The €224 million (£180 million) NewDrugs4BadBugs programme, launched in 2012 with support from the [Innovative Medicines Initiative](#), aims to stimulate research to discover new antibiotics. It is part of the European Commission's action plan against the rising threat of antimicrobial resistance.

Modern medicine is dependent on effective antibiotics, but bacterial infections are becoming increasingly resistant to existing treatments and the pipeline for new antibiotics has been described by the World Health Organization as 'virtually dry'. GSK brings a wealth of expertise to the programme, gained through 40 years of experience in developing antibiotics.

£180^m

Size of fund to stimulate research to discover new antibiotics

► For more information read [our position statement](#)

£3.5^{bn}

R&D investment in 2012

Innovative science to create value for all continued

How we innovate

The rigorous process involved in developing a promising idea into a product approved for patient use can take up to 15 years, and many of the ideas we research will not make it that far (see [our website](#) for more on our research and development process).

We have 12,000 people working in R&D – all dedicated to finding new treatments that will offer the greatest benefits to patients around the world. To help them do this more effectively, we:

- create smaller research teams that are closer to the science, such as our specialist multidisciplinary Discovery Performance Units (DPUs)
- invest in the best scientific opportunities for new medicines, for example translating recent discoveries in pattern recognition receptor biology into new treatment for autoimmune diseases
- research only those treatments that offer significant improvements over existing options, such as new treatments for chronic obstructive pulmonary disease based on an improved understanding of patient needs
- access and catalyse innovation through collaborations with public and private organisations
- are as cost-effective as possible, including identifying projects likely to be unsuccessful and terminating investment at an earlier stage to free up resources to pursue more promising leads.

By transforming our approach, we are speeding up the R&D process and making new medicines available for patients sooner.

▶ See our [Annual Report](#) for more details

Case study

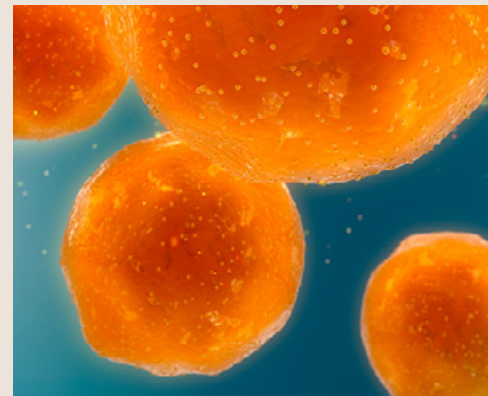
Speeding up innovation benefits melanoma patients

Our R&D organisation has been working hard to reduce the time it takes to get new medicines to the market, and in 2012, we submitted two new medicines to regulatory authorities less than seven years after being identified as potential cancer treatments.

Very early in our development programme it became clear that both dabrafenib (our BRAF inhibitor) and trametinib (our MEK inhibitor) had clinical activity against metastatic melanoma tumours with a genetic mutation. We collaborated with bioMérieux to develop a robust

diagnostic test to identify tumours carrying this mutation and focused our resources on conducting these trials as efficiently as possible.

The rapid development of these two new agents is particularly important for metastatic melanoma patients. We have ongoing Phase III trials of combination therapy with dabrafenib and trametinib in different melanoma treatment settings and are investigating these compounds in other tumour types with the genetic mutation.



Case study



Reducing calorie and sugar content in our drinks

As part of our commitment to help consumers make healthier choices, we have signed up as a partner to the UK Government's Public Health Responsibility Deal. Our *Ribena* and *Lucozade* drinks ranges already include lower calorie options such as *Lucozade Sport Lite*, and we are working to further reduce their sugar and calorie content without compromising on performance and nutrition.

By 2014, we have committed to cut sugar content by 10% in our ready-to-drink *Ribena* products in the UK and Ireland, and reduce calorie and sugar content of 65% of the *Lucozade Energy* range by 9% in the UK and 8% in Ireland (from 2011 levels).

We are also using our scientific expertise to develop innovative products such as *Ribena Plus with vitamins A and C* to support the immune system, *Ribena Plus with calcium* for healthy bones and *Lucozade Revive* with just 50 calories and B vitamins to improve energy levels.

Innovative science to create value for all continued

Focus on the patient

To guide our research, it is essential for us to understand what patients need. Our Focus on the Patient programme brings patients to GSK sites to speak directly to our R&D teams about their healthcare needs. This helps us make better medicines and inspires employees to do more to help improve patients' lives. We hosted seven patient insight seminars at our sites in 2012 under the theme of 'strengthening the patient voice at GSK'. These brought together more than 5,520 people – including GSK employees, healthcare professionals, patients and patient advocacy group representatives – to discuss a range of topics including pre-term labour, rheumatoid arthritis, asthma, Parkinson's disease, systemic sclerosis, melanoma and Alzheimer's disease. We provide recordings of these seminars on a dedicated area of our intranet, enabling more employees to learn and benefit from these discussions.

Collaboration with others

To accelerate the discovery of new medicines and vaccines, we make collaboration part of our business model.

In 2012 we entered into approximately 300 research collaborations with external public and private organisations. Through our Discovery Partnerships with Academia programme, for example, we partner with eight academic institutions worldwide to develop their innovative research into new medicines for unmet health needs. Established in 2011, the programme already has nine projects underway in Europe and North America. Diseases targeted include Huntington's Disease (a neurodegenerative genetic disorder) and severe pancreatitis which can lead to multiple organ failure and death.

Other projects with external partners are developing vaccines and treatments that target neglected tropical diseases (see page 24) and other diseases of the developing world such as malaria and polio (see page 25). In 2012, we announced plans with Aeras Global TB Vaccine Foundation to run a multi-centre proof-of-concept clinical trial to test the M72/AS01E vaccine candidate for TB in healthy adults between 18 and 50 years of age. We are also working with the International AIDS Vaccine Initiative to research a vaccine against HIV.

Case study



Supporting scientific collaboration in Latin America and Africa

Our **Trust in Science** programme in Latin America gathered momentum in 2012, partnering GSK teams with other scientists to develop medicines for diseases affecting the region and in 2013, we plan to extend the programme to African countries with an investment of £500,000.

Trust in Science now has 12 active projects in Brazil and seven in Argentina, in areas such as tropical, neglected, metabolic and respiratory diseases. GSK invests around £1.5 million a year in Trust in Science. Contributions from partner institutions – including the Brazilian Council of Science and Technology, the Foundation for Research Support of the State of São Paulo and the Ministry of Science in Argentina – increase the funds available to £2.5 million for new research annually.

In addition, GSK is the first pharmaceutical company to participate in the Brazilian government's Science Without Borders programme, enabling PhD scientists to work with our Discovery Performance Units on long-term projects at GSK laboratories in the US, UK and Spain. Seven Brazilian scientists worked with us in 2012 and a further 15 will do so in 2013.

Case study



Catalysing innovation at a new bioscience hub

2012 saw the first businesses move into the new **Stevenage Bioscience Catalyst (SBC)** research park. This joint venture between the Department of Business, Innovation & Skills, GSK, the Wellcome Trust, the East of England Development Agency and the Technology Strategy Board aims to foster a collaborative scientific community to drive innovation in bioscience.

Located next to GSK's site in Stevenage, UK, the £38 million facility offers small biotech and life sciences companies, start-ups and academic institutions access to the expertise, networks and scientific facilities associated with multinational pharmaceutical companies. It provides large-scale technical equipment and 26 laboratories for between four and 25 scientists – all housed in buildings designed to minimise environmental impacts. In addition to a number of companies already located there, SBC is also set to become a centre of innovation for Cambridge University.



Innovative science to create value for all continued

Open innovation

To encourage innovation targeting diseases of the developing world, where there is not the same potential commercial return as in developed countries, we have changed the way we think about intellectual property and the way we work with others.

Our Open Innovation strategy is designed to promote change beyond GSK by sharing expertise, resources, intellectual property and know-how with external researchers and the scientific community. Although the current focus is on diseases of the developing world, we are already adapting open innovation models to apply to other areas of great medical need and scientific challenge, including infectious and rare diseases, and Alzheimer's.

Sharing our research findings

In 2012, we screened GSK's entire pharmaceutical compound library of more than two million compounds for any that may inhibit tuberculosis (TB) bacteria. This identified 177 promising hits that could act as starting points for the discovery of new medicines for TB. Information on these compounds were made available in January 2013.

Many of the existing treatments for TB are more than 50-years-old and, because they need to be taken for six months, people often fail to complete the course. We hope that sharing these data will speed the development of essential new and faster-acting treatments for a disease that causes around 1.5 million deaths globally every year.

This is the first time a pharmaceutical company has made public its own proprietary compounds that demonstrate signs of activity against TB. It follows our publication in 2010 of data on more than 13,500 compounds that could inhibit malaria, which we have shared directly with 14 research institutions around the world. Approximately 200 of these compounds have been included in the 'malaria box' created by our research partner [Medicines for Malaria Venture](#). The malaria box is a set of 400 compounds with anti-malarial activity that has been shared with 120 research groups around the world.

We also contribute information on these compounds to the searchable public database of available resources for research on neglected tropical diseases, tuberculosis, and malaria set up by [WIPO Re:Search](#) – a collaboration of private and public sector organisations of which GSK is a founding member. Through this programme, in 2012 we shared information and insights with the Centre for World Health and Medicine about our work on MetAp-1 inhibitors for tuberculosis, saving the Centre an estimated \$50,000 and its scientist three months of work. POINT, the knowledge pool we formed in 2009, has now been rolled into [WIPO Re:Search](#).

GSK remains committed to sharing information about all our clinical trials through our [Clinical Study Register](#) and, in 2012, we announced plans to enable researchers to access the detailed anonymised patient-level data that sit behind the results of all our clinical trials to further scientific knowledge.

▶ See [Our behaviour](#) on page 34

Supporting researchers at our Open Lab

Twenty-two visiting scientists from around the world have made use of facilities at our open laboratory in Tres Cantos, Spain since its launch in 2010. There are 22 projects in the open lab portfolio, four complete, ten active and six approved to start in 2013. 19 of these projects are supported by the not-for-profit Tres Cantos [Open Lab Foundation](#) set up with £5 million funding from GSK. We committed a further £5 million to the Foundation in 2012, doubling its funding for independent research.

The Foundation, overseen by a board of leading scientists, supports researchers in developing new medicines to treat diseases of the developing world. In September 2012, it launched a call for proposals for projects to explore potential treatments for TB, malaria, Chagas disease, leishmaniasis and sleeping sickness. In 2012, the Bill and Melinda Gates Foundation also launched two 'Grand Challenges', seeking new research ideas in malaria with the opportunity to come and spend time in the Open Lab.

Case study



Exploring new treatments for malaria at Tres Cantos

"The Open Lab has provided us with several significant advantages in our development of potential anti-malarial agents. The most important being use of the world-class facilities, financial support, access to a broad range of pharmaceutical drug discovery expertise and the opportunity to collaborate in an open manner. Due to the unique research environment of the Open Lab, the challenging and ambitious project we have undertaken has been given the greatest chance of success."

So says Matthew McConville, a postdoctoral researcher from Liverpool University. He is using one of the chemical series in the 13,500 malaria compounds we published in 2010 to explore a potential new class of malaria treatments.

The Tres Cantos Open Lab Foundation is providing a grant of £100,000 to fund this and other research by Liverpool University into new treatments for malaria at our Open Lab facility in Spain.

13,500

Malaria compounds published

Access to healthcare

We aim to significantly improve access to GSK products for the people who need them around the world by developing an appropriate product range, providing vaccines and medicines at affordable prices in developing countries, and investing in stronger healthcare systems.

We adapt our range of sustainable business models and tailor our approach to reflect the needs of countries in different markets. Lack of access to healthcare is most acute in the world's poorest countries. Our Developing Countries and Market Access (DCMA) operating unit has a clear objective to increase patient access to GSK medicines and vaccines for around 800 million people in these countries, while expanding our market presence and ensuring that our business continues to be sustainable. The 700-strong unit works with country managers for GSK's businesses to provide a holistic and integrated approach to increasing access which reflects the needs of each country. Since the DCMA unit was established in 2010, the volume of medicines we supply to Least-Developed Countries has increased by nearly 50% from 55 million units in 2010 to 82.5 million in 2012.

In developed countries, we work closely with governments, healthcare providers and payers and healthcare systems to understand their needs and help ensure our products are available and affordable.

Case study



GSK tops Access to Medicine Index

GSK topped the Access to Medicines Index (ATMI) in 2012 for the third consecutive time. This ranking by the [Access to Medicines Foundation](#) examines how much the top 20 pharmaceutical companies are doing to improve access to medicines in the developing world (see quote from Index Founder Wim Leereveld, [page 12](#)).

With a score of 3.8 out of five, we ranked highest overall and achieved the highest score in four of the seven categories – access management, research and development, capacity advancement and philanthropy, and were in the top three in all categories.

The ATMI report noted that GSK invests more money than any other company in targeting diseases covered by the Index and highlighted our partnership with PATH-Malaria Vaccine Initiative (MVI) to develop the RTS,S malaria vaccine ([see page 26](#)). It also recommended that we increase the transparency of our marketing campaigns and drug recalls.

Affordability

Our innovative business models and flexible pricing help people get the vaccines and medicines they need while building our business – particularly in emerging markets – by increasing the overall volume of products we sell. Our commitment to sustainable pricing includes:

- flexible pricing, based on a country's wealth and ability to pay (as defined by the World Bank)
- tiered pricing for vaccines linked to gross national incomes per capita and volume of orders
- capped prices on our patented medicines and vaccines in the world's poorest countries, so products sold in Least-Developed Countries (LDCs) are no more than 25% of their price in the UK
- affordability partnerships including discount cards, reimbursement schemes and payment plans for patients in middle-income countries
- help for uninsured patients in developed countries and governments facing austerity measures.

GSK also encourages governments to adopt public policies that support differential pricing through, for example, our continued support for the EU's Tiered Pricing Regulation and our work with the UK's Industry Government Forum on Access to Medicines.

Access to healthcare continued

Our commitment extends to treatments for non-communicable diseases (NCDs) – such as cancer, cardiovascular disease, mental health and chronic respiratory diseases – which are growing fast in middle and low-income countries. For more information on our approach to NCDs read [here](#). Lengthy treatment regimens for these conditions can be very expensive. We are exploring ways to increase affordability by introducing smaller pack sizes (see case study, page 20), and researching dose requirements and ways to combine drugs for patients who need two separate medications. We are also introducing risk-sharing models in several markets. For example in Brazil, eight million more people have access to *Tykerb* since the successful introduction of a risk-sharing scheme in 2010. This involves breast cancer patients using *Tykerb* being assessed after 16 weeks and if they have not responded to the treatment, we reimburse the cost.

Price caps in Least-Developed Countries (LDCs)

In the world's LDCs we offer all GSK-patented products¹ at heavily reduced prices. Prices are capped at no more than 25% of their price in the UK (or in France for products not sold in the UK) provided this price covers our manufacturing costs so the offer can be sustained in the long-term.

Capped prices apply to the following brands: *Seretide* (asthma, chronic obstructive pulmonary disease – COPD), *Avamys* (rhinitis), *Flixotide* (asthma), *Malarone* (malaria), *Avodart*

(benign prostatic hypertrophy), *Fraxiparine* (anti-coagulant), *Ultiva* (anaesthetic), *Arixtra* (venousthromboembolism – VTE), *Zeffix* (hepatitis B). All vaccines are capped at 25% of the West European average price.

We have also reduced the prices of our off-patent antibiotics *Augmentin* and *Zinnat* by up to 50% in certain countries and vaccines sold in the small private market in LDCs are offered at 25% of the Western European average. The GAVI Alliance and UNICEF, which purchase large volumes of vaccines for the world's poorest children, always benefit from our lowest prices. We measure the impact of these price reductions in sales volumes, which have increased significantly, reaching more patients. Sales of our medicines have increased up to 80% in some markets when we have cut product prices to increase access.

Flexible pricing for vaccines

Our vaccines are included in immunisation campaigns in 170 countries worldwide. In 2012, we delivered 0.9 billion (883 million) vaccine doses, over 80% of them for use in developing countries.

We have supported the expansion of life-saving immunisation programmes for nearly 30 years, by offering all our vaccines at reduced cost in developing countries using a tiered pricing system, based on gross national incomes as defined by the World Bank. We are also able to significantly reduce the price per dose by selling our vaccines – for which demand is relatively predictable – in large volumes through longer-term contracts.

Partnering with GAVI

We are a long-standing partner of the GAVI Alliance, which funds immunisation programmes for some of the world's poorest countries. Prices for GAVI-eligible countries can be as little as one tenth of those for developed countries.

In 2012, GAVI launched the world's largest mass vaccination programme against pneumococcal disease in Pakistan using GSK's *Synflorix* vaccine. Pneumococcal disease is the leading cause of death in children under five in developing countries. The programme in Pakistan, where 27,000 children die from pneumococcal diseases each year, is expected to protect up to 4.8 million children a year.

Pneumococcal vaccines are expected to reach more than 50 GAVI-supported countries by 2015. *Synflorix* was introduced in Madagascar in 2012, and was available in Kenya and Ethiopia the previous year. We provide *Synflorix* to GAVI at a 90% discount through an innovative financing mechanism known as the Advance Market Commitment. GSK will provide a minimum of 480 million doses of *Synflorix* to GAVI to help expand immunisation programmes against pneumococcal disease in developing countries, protecting up to 160 million children by 2023.

We are also supplying GAVI with our *Rotarix* vaccine against rotavirus, another leading cause of childhood mortality (see case study). Together, our *Rotarix* and *Synflorix* agreements with GAVI will immunise up to 250 million children by 2015 – making a significant contribution to the UN Millennium Development Goal to reduce child mortality by two-thirds.

GSK is also a leading supplier of these vaccines – and others such as *Cervarix* (protecting women against cervical cancer) – at affordable prices to the Pan American Health Organization which purchases on behalf of middle-income developing countries in Latin America and the Caribbean.

Case study



Extending immunisation against life-threatening rotavirus

By offering a secure supply of our *Rotarix* vaccine at low cost, we are helping the GAVI Alliance immunise 50 million children against rotavirus by 2015. Rotavirus, and the severe diarrhoea it causes, kills half a million children a year – one child every minute – and is responsible for millions of hospitalisations and clinic visits each year. Vaccines could reduce the suffering and deaths rotavirus causes.

GSK has committed to supply the **GAVI Alliance** with *Rotarix* until 2016. Because the vaccine is being purchased in high volumes over a long time period, we have been able to reduce the price to US\$2.5 per dose. The GAVI Alliance aims to expand rotavirus vaccinations into 46 countries worldwide. In 2012, six more GAVI-eligible countries introduced *Rotarix* into their national immunisation programmes: Armenia, Ghana, Malawi, Moldova, Tanzania and Yemen.

¹ Applies to individual product lines and formulations where we are the sole supplier in that market.

Access to healthcare continued

Flexible pricing and payment plans in middle-income countries

GSK's flexible pricing approach and innovative payment schemes in middle-income countries are enabling more people to access our products and helping us increase the volumes we sell in these growing markets. For example, sales volumes of *Avodart* (treatment for enlarged prostate) and *Avamys* nasal spray (for allergic rhinitis) grew by 11% and 20% respectively in 2012 in Emerging Markets and Asia Pacific. Our Market Access and Pricing team helps our local operating companies establish appropriate pricing in each market.

In countries where the average national income level does not warrant a list price reduction but affordability remains a barrier for many patients, we offer a range of payment schemes that enable more patients to afford the treatments they need more easily, often by partnering with NGOs. These include:

- discount cards that enable eligible patients (such as senior citizens, disabled people or low-income patients with chronic diseases) to receive direct discounts when picking up their prescriptions in our partner pharmacies. In Ukraine, we have offered asthma patients a discount card for *Seretide* for more than four years and in 2012 it was approved for *Votrient* for metastatic renal cell cancer

- pricing according to patient income. For example, cancer patients in Hong Kong can apply for a discount of up to 50% depending on their income levels. Eligible patients (assessed by a specialist NGO) pay the healthcare provider in full but are then reimbursed by the NGO, which in turn is reimbursed by GSK. Since the scheme was introduced for *Tykerb* in 2009, 186 patients have benefited and it was expanded in 2011 to include *Votrient* and *Revolade*. Patients benefiting from *Votrient* and *Revolade* treatment have increased by 21% and 61% respectively since the introduction of the patient access scheme. In 2012, it was extended to cover *Benlysta* for lupus patients
- payment plans that enable patients to manage the cost of treatments through monthly repayments – at 0% interest where possible. For example, our repayment scheme enabled 150 patients in Peru and 1,200 in Brazil to access *Prolia* for osteoporosis in 2012.

Helping governments manage healthcare costs in Europe

Public healthcare budgets are under immense pressure in many European countries as a result of the economic environment. We tailor our approach to the needs of specific countries and work closely with governments to achieve the best results and demonstrate value for patients, payers, healthcare professionals, taxpayers and our industry.

In the UK for example, we committed to refund part of the National Health Service's expenditure for *Votrient* if it failed to show

equivalent efficacy to a comparator product. In France, we partnered with the economic committee enabling faster patient access to our epilepsy treatment, *Trobal*, using a 'pay for performance' risk-sharing model through which we reimburse the cost if treatment is stopped within the first four months. We also offer a conditional and flexible pricing structure based on results of post-registration studies and comparative trials.

Patient assistance programmes in the US

We have several programmes that help uninsured or under-insured patients in the US get the medicines they need. 356,512 eligible patients enrolled in our US Patient Assistance Programs in 2012. The prescribed GSK medicines and vaccines were worth a total of \$159 million (£100 million).

Programmes include:

- **Commitment to Access** for cancer or specialty treatments
- **Bridges to Access** for non-specialty medicines
- **GSK Vaccines Access Program**
- **GSK Access** for senior and disabled patients enrolled in Medicare Part D.

In addition to programmes for uninsured and Medicare Part D patients, we have co-pay assistance programmes to help patients who satisfy income eligibility requirements access more expensive oncology and immunology medicines. We also participate in a discount savings card programme – Together Rx Access – for patients without prescription drug coverage. [See page 31](#) for information on ViiV Healthcare's US Patient Assistance Programs for HIV/AIDS.

Case study



Smaller pack size makes asthma medicine more affordable

Worldwide over 300 million people are affected by asthma and the disease accounts for 250,000 deaths each year. For many patients, oral medications are the first treatment option. However, these provide slower relief and may produce more systemic side effects than more expensive inhaled versions of the same medications.

In December 2012, we launched the *Ventolin Rotahaler/Rotacap* in Indonesia. This low-cost inhaler uses single dose capsules of salbutamol (a bronchodilator) which will be sold in small packs so patients can buy them as needed. We aim to bring this product to millions of patients in more than 50 markets in Emerging Markets and Asia Pacific within the next five years.

50

markets will benefit from our low-cost inhaler in the next five years

Access to healthcare continued

Availability of our products

Access to medicines is not just dependent on affordability but also availability. If the right medicines are not available in the right places, patients cannot benefit from them.

We work to improve availability of medicines by increasing product registration of new and existing products across our markets, seeking strategic alliances and acquisitions, and expanding our presence in more African countries through partnerships with NGOs and UN organisations. For example, we support the objectives of the [UN Commission for Life-Saving Commodities](#) for Women and Children.

Case study



Partnering with Vodafone on mobile health

In December 2012, we announced a new strategic partnership with Vodafone to use mobile technology to help vaccinate more children against common infectious diseases in Africa. The proliferation of mobile phones in Africa offers an opportunity to create innovative and cost-effective ways to overcome barriers to vaccination.

The initial focus of the new partnership will be a one-year pilot project in Mozambique to establish if mobile technology could increase the proportion of children vaccinated by encouraging mothers to take up vaccination services, supporting health workers, improving record keeping, and enabling better management of vaccine stock. If successful, the project will create a model that can be replicated throughout Mozambique and scaled across Africa.



Portfolio expansion and product registration

We already sell medicines and vaccines in 34 of the 49 Least-Developed Countries. We are committed to making new medicines from our R&D pipeline more widely available in developing countries as well as engaging with regulators to enable further registrations of medicines in our existing portfolio. We anticipate that over the next few years this will include treatments for infectious diseases and non-communicable diseases such as asthma, depression, cardiovascular disease and cancer – which account for 63% of deaths globally.

We have begun an extensive 'catch-up' programme of product registrations to bring more of our established products to developing countries, particularly in sub-Saharan Africa. In 2012, we received approvals for 34 products in developing countries in the therapy areas of central nervous system, non-communicable diseases, respiratory, antibiotics and oncology.

We are also shifting our approach to the launch of new products from our pipeline, by offering affordable options for new drugs when they first enter a market. In 2012, we launched *Benlysta* for treatment of systemic lupus erythematosus in Hong Kong and simultaneously offered measures to increase its affordability.

Case study



Improving health and nutrition in rural India

Seventy per cent of the population of India live in rural communities, often with limited access to medicines, health advice and services. Poor nutrition frequently exacerbates health problems in these areas, particularly for mothers and children. As many as half of the children living in rural areas of India are malnourished.

Our Pharmaceuticals and Consumer Healthcare businesses in India have joined forces to promote better health and nutrition in these areas. Building on the strong reputation of the *Horlicks* brand, our teams offer advice and support through community organisations, local doctors and pharmacies, mobile health vans, and deworming and health camps.

We are also working with local healthcare providers to increase access to medicines such as *Zentel* for worm infestations and *Fesovit* for iron deficiency, to treat diseases that worsen the blight of malnutrition.

Access to healthcare continued

Local manufacturing and capability building

Local manufacturing increases availability, supports local economies and can cut the costs of production and transport of products. These savings can be passed on to patients in the form of price reductions, however, it is not always an appropriate strategy.

We have a number of joint ventures and technology transfer arrangements that help build the capabilities of developing countries to research and manufacture vaccines, while increasing our market access. These include new joint ventures with Daiichi Sankyo to develop and distribute prophylactic vaccines in Japan; Biological E, a leading Indian vaccines company, for the research and development of a six-in-one combination paediatric vaccine (see [page 26](#)), and our long-standing partnership with Brazil's Oswaldo Cruz Foundation covering polio, Haemophilus influenza type b (Hib), measles, mumps, rubella, rotavirus and pneumococcal disease. See more on our approach to [technology transfer](#).

To strengthen health infrastructure in developing countries, we also partner with the [Harambe Entrepreneur Alliance](#) to fund a Fellowship that supports African entrepreneurs, working on innovative solutions such as micro health insurance and mobile technology in healthcare. The Harambe GSK Fellowship has attracted over 1,200 highly qualified young African entrepreneurs since 2010 and empowered social and business ventures in Nigeria, Rwanda, Zimbabwe and South Africa.

Strengthening healthcare systems

Since 2009, GSK has reinvested 20% of profits generated in the world's Least-Developed Countries (LDCs) into community programmes to strengthen healthcare infrastructure in those countries, primarily through training of community health workers.

Through our 20% reinvestment, community health workers are trained in basic healthcare delivery and act as the first point of contact for people in remote and marginalised communities where the nearest health clinic could be hours or even days away. They deliver vaccinations, diagnose illness, administer medicines, provide pregnancy support, and offer hygiene, sanitation and nutritional advice. This improves health, particularly for women and children, and reduces the burden on the health system by managing more cases locally.

In 2012 we invested £3.8m (based on 2011 profits), and this funding will contribute to the training of 10,000 health workers and reach five million people over the next three years.

The 20% reinvestment programme is delivered through our partnership with three non-governmental organisations with regional expertise. We work with Save the Children in West Africa, AMREF in East and Southern Africa, and CARE International in Asia. By October 2012, we had a programme in place in all 34 of the least developed countries where we made a profit in 2011.

For the last ten years, we have supported the work of the Network for Education and Support in Immunisation (NESI) through provision of funding to enable independent vaccinology training for healthcare workers in sub-Saharan Africa, North Africa and the Middle East. Skilled and knowledgeable human resources are key to delivering healthcare services to the population and NESI supports people-development through its initiatives. NESI has contributed to the improvement of quality and sustainable immunisation programmes and provided services in low- and middle-income countries through capacity building, education and training, and has become a key partner of organisations such as the WHO, UNICEF and GAVI who implement vaccination programmes in this region.

We also help to strengthen healthcare systems through our initiatives to tackle counterfeit medicines which are illegal and can be dangerous.

▶ See [Our behaviour](#) on page 33

Case study



Supporting franchised local medical clinics in Kenya and Rwanda

In 2012, we expanded our partnership with One Family Health – a private enterprise that extends access to healthcare in rural and slum areas by using a franchise system to enable local nurses to own and operate basic medical clinics known as Child and Family Wellness Health Posts. By providing access to finance and training, our support will enable nurses to create 240 new health posts in Rwanda over the next three years in addition to the existing 80 clinics in Kenya, which already support half a million patients each year. GSK has already committed £900,000 to the partnership to establish an initial 60 posts in Rwanda, and will provide £1.8million as an interest-free loan to enable further expansion of the franchise network.



Diseases of the developing world

Neglected tropical diseases, polio and malaria are a blight on the world's most vulnerable communities. We aim to help control and eliminate these diseases to transform lives and contribute to socio-economic development in developing countries.

We take a holistic approach, working with partners to research new vaccines and treatments (see page 14), and make existing ones available and affordable (see page 18), as well as strengthening healthcare systems (see page 22).

We also advocate the adoption of public policies that provide adequate financing for mechanisms such as the GAVI Alliance (funding immunisation in poor countries) and the Global Fund to Fight AIDS, TB and Malaria. We are on the Board of GAVI and the [Roll Back Malaria Partnership](#), and are also a founding member of the Global Alliance to Eliminate LF. In 2012, we helped organise a major conference on neglected tropical diseases at the World Bank and a [Wilton Park](#) meeting for 60 malaria experts on the integration of new tools to achieve zero deaths and elimination.

Neglected tropical diseases

Neglected tropical diseases (NTDs) threaten over a billion of the world's poorest people, often preventing them from working and perpetuating a cycle of poverty. Yet very little has been invested in preventing or treating them.

Our commitment

We played a leading role in the partnership between the industry and the Gates Foundation which resulted in the London Declaration – a commitment by 13 pharmaceutical companies, governments and non-governmental organisations to control or eliminate 10 of the 17 neglected tropical diseases by the end of the decade.

Together, the London Declaration partners committed to eliminating lymphatic filariasis (LF, known as elephantiasis), Guinea worm, blinding trachoma, sleeping sickness and leprosy; controlling soil-transmitted helminths (intestinal worms), schistosomiasis, river blindness, Chagas and visceral leishmaniasis by 2020. Collectively, our industry will supply all the drugs needed to do this. The first [annual report](#) on the London Declaration including a scorecard showing the status of each disease was published in January 2013.

We established a dedicated NTDs unit in 2012 to accelerate our contribution to this global effort. We are tackling NTDs through research, funding and partnerships. Our initial focus is on working to align our efforts with those of partners in tackling the five diseases where treatments already exist: LF, onchocerciasis, schistosomiasis, trachoma and the soil-transmitted helminth diseases (intestinal worms).

Our progress to date

In 2012, we donated our three billionth albendazole tablet in the fight against LF and intestinal worm infection. LF is a leading global cause of disability and intestinal worms infect millions of children around the world, causing chronic infections that can result in malnutrition and impair development.

Our support will help to achieve the World Health Organization's target to deworm 75% of school age children in countries where intestinal worms are endemic. We donated 709 million albendazole treatments to tackle LF and soil-transmitted helminths in 2012, and we have committed to donate up to a further billion each year up to 2020. Since 1998, half a billion people in more than 50 countries have been treated with the anti-parasitic tablet and 12 countries have now completed mass administration of the treatment.

Researching new treatments

We are also investing in research into other NTDs through partnerships with organisations such as the Drugs for Neglected Diseases initiative (a not-for-profit) product development partnership.

In 2012, we began work in partnership with the University of Dundee and the [Wellcome Trust](#) to develop effective and affordable treatments for three neglected tropical diseases – Chagas disease, leishmaniasis and Human African Trypanosomiasis ('sleeping sickness') – which are collectively responsible for around 90,000 deaths each year across the developing world.

Diseases of the developing world continued

We are also partnering with the US Army and the Brazilian Ministry of Health to develop a vaccine for dengue, which can lead to potentially fatal dengue fever. Incidences of dengue infection have increased 30-fold over the last 50 years and approximately 2.5 billion people globally are now at risk. In 2012, Phase I clinical trials of the Dengue Purified Inactivated Vaccine (DPIV) began in Puerto Rico and the US in collaboration with the US Army and under their sponsorship.

We are also part-funding the new London Centre for Neglected Tropical Disease Research, a joint initiative of Imperial College London, the London School of Hygiene and Tropical Medicine and the Natural History Museum. This will undertake innovative research into the control, mapping and diagnosis of some of the most common NTD infections – soil-transmitted helminths and schistosomiasis – which impact the lives of around a third of the global population. This will be the first research centre dedicated to these NTDs.

Polio

The eradication of polio came a step closer in 2012 with the removal of India from the World Health Organization's list of countries where polio is endemic. Just three countries – Afghanistan, Nigeria and Pakistan – are yet to be declared 'polio-free'.

We have a long history of supporting efforts to eradicate polio. Early 2013 saw two key agreements that will further support polio eradication. We developed the first vaccine in the 1950s and have supplied the oral polio vaccine (OPV) ever since. In 2012, we provided over 400 million doses to the Global Polio Eradication Initiative, a public-private partnership led by national governments and the World Health Organization. We have committed to meeting at least 30% of the Initiative's polio vaccine requirements, procured through UNICEF, up to 2017 (approximately 1.5 billion doses) and will continue to support the initiative until every country in the world is declared 'polio free'.

OPV is relatively inexpensive and, because it is taken orally, the vaccine can be distributed by volunteers without the need for a trained healthcare worker or sterile injection equipment. However, in countries where polio has been eradicated, OPV – a live attenuated vaccine – will be phased out and replaced with the inactivated polio vaccine (IPV) to prevent the risk of polio re-emerging from the vaccine itself.

We produce and supply IPV at tiered prices to countries implementing immunisation programmes, and we are working to make available lower cost combination vaccines for the developing world that contain IPV alongside vaccines for other diseases such as diphtheria, tetanus, and whooping cough. We are also investing around £250 million in a new manufacturing facility in Wavre, Belgium, to produce vaccines containing IPV for developed and emerging markets.

We have also launched a new joint venture with Biological E, a leading Indian vaccines company, for the research and development of a six-in-one combination paediatric vaccine. The vaccine would combine our IPV and Biological E's vaccine for diphtheria, tetanus, whooping cough (whole cell pertussis), hepatitis B, and Haemophilus influenzae type b. If approved it would enable fewer injections for children, supporting compliance in immunisation. We also entered an agreement with the UK Health Protection Agency for the National Institute for Biological Standards and Control (NIBSC)'s non-pathogenic and genetically stable SALK-derived polio strains, giving us the opportunity to research and potentially develop a lower-cost manufacturing platform for the IPV component of paediatric combination vaccines. In the long term, this technology could lead to manufacturing of this component in developing countries.

Case study



Vaccinations save lives in the Democratic Republic of Congo

GSK is partnering with UNICEF on a US\$200,000 programme to vaccinate mothers and babies in the Democratic Republic of Congo (DRC) where more than one in six children die before the age of five.¹

Children in the DRC are at risk from outbreaks of preventable diseases such as polio and measles because they have not been immunised. By raising awareness among community leaders, we are promoting the importance of vaccinations as well as providing refrigeration equipment needed to store and transport vaccines.

In 2012, more than 2.4 million children have been vaccinated against measles and over 15 million against polio. Following 100 recorded cases of polio in 2010 and 93 cases in 2011, no polio cases were recorded in 2012.



¹ 170 out of 1,000 live births.

Diseases of the developing world continued

Malaria

Malaria is responsible for more than 655,000 deaths a year, mainly among children under the age of five in sub-Saharan Africa. Over half the world's population is at risk from the disease.

Researching a vaccine

We have been researching a vaccine against malaria for more than 25 years. Since 2001, we have been working to further develop a vaccine through a public-private partnership with the PATH Malaria Vaccine Initiative (MVI), aided by a grant from the Bill & Melinda Gates Foundation. This RTS,S malaria vaccine candidate is now in the final stages of clinical development with a pivotal Phase III trial underway in seven African countries involving some 16,000 children.

Published results to date confirm that RTS,S can help protect African children against malaria. Follow-up results will provide more data which will provide insights into the vaccine candidate's efficacy in different malaria parasite transmission settings, long-term efficacy and the impact of a booster dose. The results are expected to be publicly available at the end of 2014.

If the vaccine is approved, we remain committed to price it at the cost of production plus a small return of around 5% to be reinvested in research and development for second generation malaria vaccines or vaccines against other diseases of the developing world.

655,000

deaths a year from malaria

Case study



Developing new treatments

As resistance to current treatments grows, we are developing new medicines to treat malaria. We have made our anti-malarial compounds available to stimulate further research in this area and malaria is a key focus at our Tres Cantos Open Lab (see page 17).

In partnership with the non-profit organisation Medicines for Malaria Venture, our research is addressing two pressing needs: treatments for drug-resistant strains of the malaria parasite, and treatments for the species of malaria that is predominant in Asia and Latin America (*Plasmodium vivax*). *Tafenoquine* is an investigational medicine we are developing for the treatment and relapse prevention of *Plasmodium vivax* malaria.



Promoting use of existing measures

Our community investment through the African Malaria Partnership supports local NGO programmes to promote use of preventative measures such as bed nets and indoor spraying to control mosquitoes in at-risk communities.

For example, we are funding a three-year programme with AMREF in south-east Tanzania that has already increased use of bed nets by more than 50% in its first two years and halved malaria deaths among under-fives. In Kenya, our partnership with Save the Children has distributed more than 5,500 insecticide-treated nets and reached over 30,000 people over two years, and our work with Family Health International in Ghana has raised awareness of the need to seek prompt treatment for malaria.

Health and well-being in our communities

We fund and support local programmes where we can leverage our core capabilities and make a significant contribution to the health and well-being of communities.

Our programmes include those to develop and improve health infrastructure; health, hygiene and sanitation education; medicine and consumer health product donations; humanitarian relief response; and science education to develop healthcare professionals of the future. These investments benefit communities and bring value to our business by building relationships and trust with key stakeholders, strengthening our reputation and engaging employees.

We aim to increase the impact we have by partnering with local organisations, supporting programmes designed to have a long-term sustainable impact, and encouraging our employees to get involved through volunteering.

▶ See [Our people](#) on page 52

In 2012, our global community investment totalled £206 million (\$330 million), compared with £204 million (\$328 million) in 2011.

£206^m

community investment

Product and financial donations

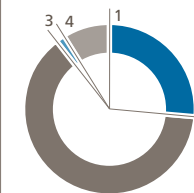
In 2012, GSK donated medicines valued at £131 million (at cost)¹ and £76 million in funds. Almost half our total giving – and £100 million of our product donations – was used to support 356,512 low-income patients through our Patient Assistance Programs in the USA (see page 20).

£3.3 million in product donations were delivered to our partners AmeriCares, Direct Relief International, IMA World Health, MAP International and Project HOPE for humanitarian aid. These partners distributed donated medicines to 86 countries in 2012. This included providing supplies of antibiotics, basic medicines and oral hygiene items to those affected by conflicts, a cholera epidemic in Niger, floods in the Philippines, and hurricanes Isaac and Sandy in the USA.

We continued to invest in our PHASE (Personal Hygiene and Sanitation Education) programme to prevent diarrhoea and pneumonia by teaching children the importance of hand washing. In 2012, we began integrating oral health education into the programme, which has reached more than 1.5 million children in 16 countries since 1998.

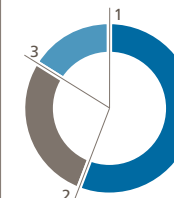
We also provided £22.5 million in donations of albendazole as part of our commitment to eliminate lymphatic filariasis (see page 24), and our cash-giving supported programmes aimed at strengthening healthcare infrastructure as part of our reinvestment of 20% of the profits we make in Least-Developed Countries (see page 22).

Our giving in 2012 – breakdown by type of giving



	£m
1 Cash	54
2 Product and in-kind	131
3 Time	3
4 Management	18
Total	206

Financial giving by type of programme supported in 2012



	%
1 Health & well-being	56
2 Education	28
3 Other	16

¹ GSK values product donations at cost of goods as we believe this is a truer reflection of the cost to GSK than the wholesale acquisition cost (the value cost reported to wholesalers) which is used as standard in the Pharma industry for valuing product donations. The total value of product donations in 2012 based on wholesale acquisition cost was £488 million.

Health and well-being in our communities continued

Case study



Partnering to improve health in Roma communities

We are working with four different NGO partners to improve access to healthcare for socially excluded Roma communities in Bulgaria, Hungary, Romania and Slovakia. Over five million Roma people lack basic services such as clean drinking water, sanitation and healthcare.

Established in 2011, our three-year programme has already trained 87 health mediators to improve health awareness and tackle high rates of infectious diseases and child mortality among Roma communities. Support ranges from medicines, vaccines and regular health checks to health education and family counselling. So far, nearly 150,000 children have benefited in 115 Roma settlements. We are also working with the EU government to develop new policies that support and secure long-term funding for health mediators in Roma communities.



Case study



Strengthening immunisation infrastructure in Mumbai slums

For the estimated eight million people living in the slums of Mumbai in India, the risk of disease is high but just a third of children are fully vaccinated before their first birthday. We have partnered with international NGO, **PATH**, the Mumbai government and a local community-based organisation to develop a sustainable, integrated approach to improving immunisation infrastructure and increase vaccination levels.

We worked with five health posts serving over 11,000 children under one year old to raise awareness of the importance of vaccination, provide cold-chain storage and delivery for vaccines, and use mobile technology to record data and send text message appointment reminders to parents. By the end of the 18-month project, over half these children were fully immunised. The project has created a blueprint for immunisation programmes in similar settings around the world.

11,000

children under one year old reached through support for five health posts

Case study



Empowering women in Latin America

With our support, women's development organisation, Pro Mujer, is empowering 470,000 women to overcome poverty in five Latin American countries over the next three years through a holistic package of education, healthcare and financial services, including loans to start their own businesses.

The programme helps women gain access to education, training and financial support including loans to start small businesses and a proportion of the profits are reinvested in their own and their families' health. The programme has helped to educate, empower and build self-esteem in women who, through improved health and financial independence, can lift themselves and their families out of poverty.



Case study



Rethinking what it means to be a healthy community in the USA

In 2012, we began to convene a series of forums to better understand the barriers and opportunities to build healthier communities in the USA. GSK partnered with the media company, *The Atlantic*, to host a "Conversation about Community Health" in three diverse American cities.

The forums in Philadelphia, St. Louis and Denver brought together hundreds of community stakeholders and experts from local health organisations, government, businesses and academia to discuss how to work together more effectively to help people live healthier lives. Insights gained through these discussions will help shape our approach to local engagement in the USA and we hope help influence local policy and decision making.



Health and well-being in our communities continued

Case study



Helping sick children go home in the UK

We are helping the UK-based charity WellChild help seriously ill children and their families by providing funding for three nurses who provide specialist care and support, enabling children to leave hospital and be cared for at home. The GSK-funded nurses look after over 75 children with long-term illnesses, as well as providing valuable emotional support for their families.

To raise awareness of WellChild's life-changing work, we ran a promotional campaign on packs of Ribena and sponsored the 2012 WellChild Awards, which celebrate the bravery of seriously ill children and young people in the UK and the dedication of health professionals who care for them.



Case study



Improving dental hygiene in Southern Africa

Our Aquafresh Dental Hygiene Programme is teaching children in Southern Africa why they should brush their teeth.

Working through clinics and community groups, the focus is on raising mothers' awareness of improved oral hygiene to effectively reach the whole family. Aquafresh's range of colourful toothpastes and toothbrushes also encourages children to brush regularly.

The awareness programme has already reached 900,000 children in Botswana, Mozambique, Namibia, Zambia and Zimbabwe.

900,000
children reached

Case study



Supporting migrant communities in Shanghai, China

The New Citizen Health Care project, which we fund, is helping migrant communities in Shanghai, China, access healthcare and education. Nearly 10 million migrants make up 40% of the population in the city and many of them do not have a residents permit, or *hukou*, making it difficult to access basic services.

We partnered with the Xintu Centre for Community Health Promotion, a local NGO specialising in public health education, to establish four community centres with children's playrooms, classrooms and lecture rooms, to provide health education and other services for migrant communities.

The project won the 2012 Financial Times/Citi Ingenuity Award for Urban Ideas in Action. We are planning to open another centre in Beijing in 2013.

10^m
migrants in Shanghai

Read more online



We publish more detail **online** on key issues including:

- Clinical trials in the developing world
- Developing world vaccine production technology transfer
- IP and access to medicines in developing countries
- Pandemic preparedness and developing countries
- Technology transfer, capacity building and developing countries
- Working together for the health of mothers and children
- Pricing and reimbursement
- GSK briefing on non-communicable diseases in the developing world
- GSK position statement on the post 2015 development agenda
- Product donations

HIV/AIDS

ViiV Healthcare is a global specialist HIV company established by GSK and Pfizer in 2009, and joined by Shionogi in 2012. Focused on delivering advances in treatment and care for people living with HIV, it has a broad portfolio of ten antiretroviral medicines and an industry-leading pipeline.

Researching new treatments

ViiV Healthcare has made significant investments in research to support a pipeline of new antiretroviral medicines that can provide benefits over existing medicines' efficacy, side effects and resistance profiles. In December 2012, ViiV Healthcare submitted regulatory applications in the EU, the US and Canada for *dolutegravir*, an investigational integrase inhibitor for the treatment of HIV.

There are currently six clinical phase assets in the ViiV Healthcare portfolio, as well as several pre-clinical discovery programmes through the partnership with our HIV Discovery Performance Unit. These include early work identifying new therapeutic options such as antiretroviral drug candidates with novel mechanisms of action, disease modifying therapies and curative medicines.

In addition, ViiV Healthcare's research teams build new connections and collaborations with other commercial and academic organisations to improve scientific understanding of HIV and work towards a cure. For example, ViiV Healthcare and GSK scientists are members of the International AIDS Society's *Towards an HIV Cure* Industry Collaborative Group, and ViiV Healthcare is a founding member of the Collaboration for HIV/AIDS Immunological Therapy, a public-private partnership launched in 2012.

ViiV Healthcare also supports collaborative research trials in resource-poor settings to understand public health issues such as prevention of mother-to-child HIV

transmission and HIV-TB co-infection. In total, at the end of 2012, 93 clinical trials were underway; 14 of the 93 trials are paediatric studies. African countries participating in the paediatric studies include Malawi, South Africa, Tanzania, Uganda, Zambia and Zimbabwe.

Recognising the urgent need to address the gaps in care and treatment of paediatric HIV, ViiV Healthcare expanded its commitment in this area in 2012 through its Paediatric Innovation Seed Fund. This includes a first-of-its-kind public/private partnership with the Clinton Health Access Initiative (CHAI) and Mylan Laboratories Limited, to submit a registration for a new taste-masked dispersible *abacavir/lamivudine* formulation for paediatric use in resource-limited settings. Educational grants totalling approximately £3 million were also awarded to five organisations to improve paediatric HIV research, care and treatment access. Partners include the International AIDS Society, JUSTRI, Mater Misericordiae University Hospital, amfAR's Treat Asia Programme and the Elizabeth Glaser Pediatric AIDS Foundation.

Improving access to HIV treatment

More than 8 million people living with HIV who need treatment are now receiving antiretroviral (ARV) therapy and UNAIDS, and the World Health Organisation (WHO) aims to increase this number to 15 million by 2015.

ViiV Healthcare is committed to playing its part in increasing access to HIV treatment by taking an innovative, responsible, and sustainable approach. Its programmes cover all middle-income countries, all low-income

countries, all Least-Developed Countries and sub-Saharan Africa – 135 countries in total.

Low-income, Least-Developed Countries and sub-Saharan Africa are home to 75% of people living with HIV around the world. ViiV Healthcare offers its complete antiretroviral (ARV) portfolio at not-for-profit prices in these countries. Through its royalty-free voluntary licensing policy, ViiV Healthcare enables manufacturers of generic medicines to sell versions of its entire ARV portfolio – this commitment covers both marketed medicines and medicines in the pipeline once licensed. In 2012 ViiV Healthcare granted three additional voluntary licences bringing the total number to 14; the most recent being the voluntary licence granted to the Medicines Patent Pool Foundation for the manufacture and supply of paediatric formulations of *abacavir*.

In 2012 around 1.5 million patients in the developing world had access to low cost generic versions of ARVs developed by ViiV Healthcare and mainly supplied by its licensees. In 2012, ViiV Healthcare and its licensees supplied an estimated 1.1 billion ARV tablets, compared to 717 million in 2011. However, as signalled in our 2011 CR report, a key patent on *lamivudine* expired half way through 2012, meaning that companies were able to continue to supply but no longer required a licence from ViiV Healthcare to do so. This means in future years we will not be reporting the volume sales by ViiV's former licensees. ViiV Healthcare remains committed to its licensing strategy, as demonstrated by the agreement signed in February 2013 with the Medicines Patent Pool.

HIV/AIDS continued

In middle-income countries, ViiV Healthcare adopts a flexible pricing policy that varies according to GDP and the burden of the HIV epidemic in individual countries. Partnerships with in-country companies to manufacture medicines locally have also been established. These can reduce the cost of treatment and build local manufacturing capabilities. A partnership with Binnopharm, the Russian pharmaceutical company, which enables local secondary manufacture of ViiV Healthcare's medicines for people living with HIV in Russia is one example.

In the USA, ViiV Healthcare's patient assistance programme helps uninsured and low-income patients access HIV medicines and its [Patient Savings Card](#) programme provides savings for eligible patients who have out-of-pocket prescription costs. From the start of 2013, the rate of reimbursement will be increased from \$100 to \$200 per medication per month. ViiV Healthcare also supports Welvista, a non-profit programme that facilitates access to HIV medications for nearly 6,000 people on the waiting list for the US Government's AIDS Drug Assistance Program.

Supporting communities affected by HIV

ViiV Healthcare funds community projects that support people living with HIV through the global Positive Action programme, now in its 21st year. Positive Action aims to build capacity in community-based organisations, enable grassroots community action and address stigma and discrimination. Since 2010, the Positive Action for Children Fund (PACF) has awarded a total of £13.6 million to local projects aimed at improving the health and well-being of women, children and families affected by HIV. In 2012, ViiV Healthcare committed £4 million from the Fund for 99 projects in 26 countries. This includes renewed support for 84 grassroots community projects that are making a tangible difference in 21 countries. Altogether Positive Action, the PACF and community grants disbursed by ViiV Healthcare's local operating companies gave support to over 300 HIV community organisations in 2012. Find out more at www.viivhealthcareeffect.com.

Case study

Improving early infant diagnosis and treatment in Africa

In June 2010, ViiV Healthcare and the Elizabeth Glaser Pediatric AIDS Foundation (EGPAF) began partnering on a two-year project in Lesotho, Malawi, and Swaziland to improve early infant diagnosis and treatment (EIDT) services. By expanding staff capacities and strengthening infrastructures, the project supported efforts to strengthen national health systems for the long term. The Ministry of Health (MOH) in each country has been integrally involved in project rollout and continuity, assuring its continued sustainability with minimal external support to project sites.

As of 2012, all 13 project sites were showing encouraging increases in early infant diagnosis rates and treatment uptake. Nearly 6,000 infants had been tested (78% at the critical age of eight weeks old), and 79% of those infants who tested positive for HIV were initiated on antiretroviral therapy (ART).

- In Malawi, the percentage of HIV-positive infants under 12 months old initiated on ART grew from 10% at baseline to 72% by August 2012. This was largely due to improved caregiver follow-up by ancillary staff trained with the support of ViiV Healthcare.
- In Lesotho, the introduction of integrated prevention of mother-to-child transmission (PMTCT) and paediatric care and treatment services ensured that an HIV-positive mother and her infant could continue receiving care from the same nurse throughout the PMTCT cascade. As a result, the percentage of HIV-positive infants initiated on ART climbed from 79% to 100%, and helped the MOH to identify infected children previously lost after referral to distant ART services.
- In Swaziland, the paediatric HIV training curriculum developed with the support of ViiV Healthcare has been integrated into existing MOH nurse training, ensuring sustainability and government ownership. Also, as a result of project advocacy by the MOH, the Swaziland Nurses' Code of Practice was amended to allow nurses to initiate ART nationwide, improving patient access to ART and bringing ART services closer to populations in need.



Our behaviour

In focus

From 2013, researchers will be able to access detailed anonymised patient-level data from our clinical trials.

▶ Read more on page 33

In this section

Overview	34
Ethical standards and principles	35
Sales and marketing	38
Working with healthcare professionals	40
Research practices	41
Manufacturing and supply chain	45
Public policy and patient advocacy	48
Our approach to tax	50

Our behaviour

How we deliver success is just as important as what we achieve. We put the interests of patients and consumers first and are driven by our values – transparency, respect, integrity, patient-focus – in everything we do.

Our values are backed up by a clear Code of Conduct, robust compliance systems, and training and support that help employees make the right decisions. Our standards extend to our suppliers and contractors.

There are many ethical issues associated with the research and development (R&D), manufacture and sale of our products, and our relationships with healthcare professionals, patients and regulators. We need to be honest and transparent about how we address these, putting more information in the public domain so that people can see for themselves how we operate.

We are open to challenge and discussion and not afraid to change how we work to reflect society's expectations.

In focus

Opening up access to trial data

Access to patient-level data from clinical trials can be valuable for researchers who want to learn about existing medicines and improve patient care. For a number of years GSK has responded to external requests for patient-level data on a case-by-case basis. Going forward, we will allow researchers to request anonymised patient-level data from our published clinical trials of approved or terminated medicines. This will enable researchers to examine trial data more closely or combine data from different studies to conduct further research.

This takes our commitment to openness and transparency of clinical trials one step further. We already publish summary results – whether these are perceived to be positive or negative – of every research trial on the [GSK Clinical Study Register](#). Almost 5,000 clinical trial result summaries are now available and the site receives an average of almost 11,000 visitors each month. In early 2013 we [outlined our plans](#) to add Clinical Study Reports onto the Register in the future.

Individuals participate in our research trials in the hope they might bring advances in healthcare. Our new plans acknowledge their commitment and reflect our desire to ensure that their contribution can lead to health gains, while safeguarding their confidentiality.

To ensure data is used for valid scientific reasons, an independent panel will review each request before allowing access. Researchers will be able to submit requests via a dedicated website and, where approved, information will be provided via a secure IT environment.

“ Our new plans acknowledge the commitment of individuals who participate in research trials. ”



Overview

2012 at a glance

Ethical standards and principles

Revised and simplified our Code of Conduct to make it easier for employees to understand how to apply GSK values and behaviours.

▶ See page 35

Established a Human Rights Steering Group of senior managers to oversee our approach to applying the UN Guiding Principles of Business and Human Rights.

▶ See page 36



Sales and marketing

Reached a settlement with the US Government to resolve long-standing legal issues around our sales and marketing practices.

▶ See page 38



Research practices

Committed to provide access to anonymised trial data from published clinical trials of our authorised or terminated medicines. This is in addition to disclosing the results of our research on our publicly accessible Clinical Study Register website which receives an average of almost 11,000 visitors a month.

▶ See page 41

11,000

Commissioned an independent review of our drug safety processes for detecting adverse events across the life cycle of a product.



▶ See page 43

Manufacturing and supply chain



Added anti-counterfeiting technology to 31 products in China, resulting in a significant reduction in the number of reports of fake GSK medicines reaching the market.

▶ See page 47

31

Public policy and patient advocacy

Published a list of memberships of trade associations that primarily represent pharmaceutical, consumer product, and vaccine businesses at the national, regional, and international levels.

▶ See page 48

Our commitments

- Continue to drive a values-based approach to sales and marketing practices across the world, with the interests of consumers and patients at its core.
- Continue to ensure the interests and safety of patients and consumers are of paramount importance in the way we design and undertake our clinical trials, our product quality assurance and our monitoring and reporting of adverse events in ongoing product usage.
- Rigorously challenge the need for animal studies and work to minimise the impact on animal welfare, by investing in the development of alternative studies and sharing animal-based data.
- Address the UN Guiding Principles on Human Rights & Business across our own operations and our supplier relationships.
- Be as transparent as possible with our clinical trial data, including publishing clinical study reports (without patient-level data) for all outcome trials of medicines conducted by GSK and, within an appropriate process, making available to researchers access to anonymised patient-level data to further scientific enquiry.
- Demonstrate that all GSK interactions with patient advocacy groups and political stakeholders are conducted appropriately, ethically and transparently.

External perspective



When Andrew Witty gave the keynote speech at the annual Pears Business Schools Partnership lecture 2012, he gave us a valuable insight into what it means to be a responsible leader in a world of intense connectivity and enforced transparency. He asked all of us in any position of authority: 'what are you going to do with the power you've been handed and entrusted with?'. Driving this message throughout an organisation like GSK is undoubtedly challenging, but essential to create a truly values-based business.



Professor David Grayson,
Director of the Doughty Centre for Corporate Responsibility at Cranfield School of Management

<http://www.som.cranfield.ac.uk/som/p14340/Research/Research-Centres/Doughty-Centre-Home>

Ethical standards and principles

Ethical conduct is a priority for GSK. Failure to uphold high ethical standards can erode trust in our company and our products, damage our reputation, and result in serious financial or legal consequences.

In 2012 we revised and simplified our Code of Conduct to make it easier for employees to understand how to apply the GSK Values and Behaviours. A number of key principles previously covered in other policies have now been integrated into the Code. It is available in 28 languages, and supported by a new online Policy Resource Centre that provides information, support and training for employees on related topics. The revised Code is also publicly available on our website.

All GSK employees have [access to whistleblowing mechanisms](#) that they can use to get advice, and to report suspected cases of misconduct – anonymously if required.

Living our values

We are focusing on integrating a values-based culture within GSK. Our employee survey results from 2012 reflect our efforts to integrate a values-based culture at GSK. 93% of respondents stated they understand what constitutes ethical business practices and conduct in their job.

Our annual Business Ethics Certification, which has managers confirm compliance with the Code of Conduct, is being revised and will be re-launched in 2013 and over 33,000 managers will be asked to undertake this training. The new approach will help to reinforce the role of leaders to inspire the right behaviour and create a safe environment for employees to 'speak up'. Key leadership development programmes have been updated to reflect the principles of living our GSK Values in every day decision making.

Medical governance

We have a system of principles, policies and accountabilities – known as medical governance – designed to make sure our research and other activities are conducted to recognised standards and in line with our values. Responsibility for medical governance sits with our Chief Medical Officer and his organisation.

Scientific engagement

Our Scientific Engagement policy, established in 2011, explains the principles by which we engage in external scientific activities, such as advisory boards, publications, scientific congresses and medical education. It reinforces a clear distinction between scientific and promotional activity at GSK, and ensures that all scientific activities are carried out in a way that reflects our values. In 2012 we established an internal quality assurance group to monitor implementation of these practices.

Bribery and corruption

We have a zero-tolerance approach to bribery and corruption, as set out in our [Preventing Corrupt Practices](#) policy. Our anti-bribery and corruption programme is reviewed by our Audit and Risk Committee on an annual basis. Our performance is reviewed by our anti-bribery and corruption oversight committee, which meets monthly – and we have a team to help implement our policies.

Ethical standards and principles continued

Human rights

We are committed to upholding the UN Universal Declaration of Human Rights, the OECD Guidelines for Multinational Enterprises and the core labour standards set out by the International Labour Organisation (ILO). GSK is a signatory to the UN Global Compact, a voluntary global standard on human rights, labour, the environment and anti-corruption.

We support the Guiding Principles on Business and Human Rights endorsed by the United Nations Human Rights Council in 2011. We are reviewing our policies and processes to make sure they reflect the Principles and we have established a Human Rights Steering Group of senior managers to oversee our approach. This steering group includes representatives from functions such as human resources and procurement and is chaired by our Senior Vice President for Governance, Ethics and Assurance. By 2015 we will have a plan in place to address any gaps identified in our review.

Management of human rights is embedded in our business, including through:

- employment standards covering topics such as diversity, equal opportunities, health and safety (see page 52)
- supplier standards and audits that help us to promote human rights in our supply chain (see page 45)
- systems to protect the rights of people taking part in our clinical trials (see page 41)
- our efforts to improve access to healthcare which help to promote the right to health (see page 18)

Read more [online](#) in our human rights statement.

Activities in embargoed countries

Some stakeholders are concerned about our business activity in countries targeted by sanctions laws, such as Cuba, North Korea, Iran, Sudan and Syria. We share the UN's belief that people should not be denied access to medicines because of the regime operating in their country. We aim to provide medicines and vaccines in all countries that need and wish to purchase them, while observing applicable sanctions and export controls. We comply with the disclosure requirements of the Iran Threat Reduction and Syria Human Rights Act of 2012.

Privacy

Data protection and security continues to be a high priority for us. Our global privacy principles ensure that all personal data are collected, used, processed, transferred, and stored appropriately, securely, and in line with legal requirements. We are committed to exercising the highest standards of integrity in dealing with and protecting personal data and require all employees and suppliers to comply with our global privacy principles. The Global Privacy Office oversees the privacy processes and communicates best practices throughout GSK.

While awaiting approval from the UK Information Commissioner's Office of our Binding Corporate Rules (BCRs) submission, in 2012 we continued to implement the critical elements of BCRs required by UK and European data protection regulations to transfer personal data to affiliates located outside of the European Economic Area. Once approved and fully implemented, our BCRs will improve the efficiency of transfers of personal data within the company and increase confidence in the security of the personal data with which we are entrusted. The scope of our BCRs cover personal data held on our employees, research subjects, and healthcare professionals who we partner with in research.

Our BCRs comprise various elements, including internal corporate policies, standards, training programmes, and audits. The Global Privacy Office has developed and rolled out a robust privacy awareness and training programme, which includes training modules on our global privacy principles and BCR standards.

In 2012 our Audit and Assurance group performed independent audits of our compliance with the privacy policies and standards as well as applicable laws. In addition, we are implementing data privacy monitoring programmes in each business unit across the enterprise. The Global Privacy Office identified the key privacy controls to be included in the monitoring programs to ensure consistency. The data collected from these monitoring activities is given to the Global Privacy Office for analysis and trending to determine whether internal controls are effective.

Ethical standards and principles continued

Compliance

All managers must ensure compliance with company policies in their areas of responsibility, and our Corporate Ethics and Compliance department investigates suspected legal, ethical or policy violations.

Employees can report concerns or suspected cases of misconduct through a variety of channels, including our confidential 'Speak Up' integrity line, which is available in 70 different languages. In 2013 we will standardise reporting channels so that all employees, wherever they are based, can report in a consistent way, and we will refresh our awareness campaign to encourage employees to get help or report concerns.

We fully investigate suspected breaches in a confidential manner and take disciplinary action, up to and including dismissal, where appropriate. Serious violations of our policies are reported to the Audit and Risk Committee of the Board.

Addressing misconduct

In 2012 more than 1,600 contacts (2,700 in 2011) were made through our ethics and compliance channels – a mixture of allegations of misconduct and requests for information or guidance.

In 2012:

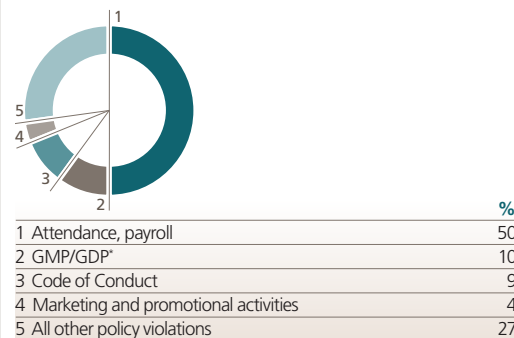
- 2,919 employees (1,828 in 2011) were disciplined for policy violations
- of these, 312 were dismissed (308 in 2011) or agreed to leave the company voluntarily (known as separations)
- other disciplinary actions included 2,067 documented warnings (1,520 in 2011)
- 123 of the policy violations related to breaches of sales and marketing codes (66 in 2011). These resulted in 13 dismissals or separations and 110 documented warnings.

We believe the increases seen in 2012 and in 2011 are due to our increased focus on 'Attendance and payroll category' violations (1,456 and 695 respectively). These attendance issues are mainly reported from our manufacturing business where we have implemented tighter controls to ensure we

maintain and build on our strong track record of compliance. Additionally, our continued focus on manufacturing quality is seen through an increase in disciplinary numbers in the Good Manufacturing Practice/Good Distribution Practice (GMP/GDP) category in the same time period. Other categories have remained broadly consistent over that time.

Employees who remain with the company following a policy violation receive retraining and increased monitoring or support. In some cases retraining is extended to an employee's colleagues to prevent them from making similar mistakes.

Types of policy violations in 2012



Total violations in 2012 = 2,919

* GMP/GDP relates to Good Manufacturing Practice, Good Distribution Practice

Breaches of external codes

We collect information on breaches of external industry or government promotional codes by our commercial businesses. We were found to be in breach of external codes 25 times in 2012 compared with 35 times in 2011. We investigate every breach of an external code and take steps to prevent a reoccurrence, which may include retraining or other corrective action, including disciplinary action.

Sales and marketing

Our goal is to drive a values-based approach to sales and marketing practices across the world, with the interests of consumers and patients at its core. This applies to the sale of our consumer products and to the marketing of our prescription medicines and vaccines to healthcare professionals, hospitals and governments.

To reflect our commitment to consistently high standards, we launched a new [Global Code of Practice for Promotion and Customer Interactions](#) in 2012. This applies to all employees involved in sales and marketing as well as third parties acting on our behalf. It covers areas such as providing information and fees for service payments to healthcare professionals, samples, hospitality, grants and donations. It states that marketing and promotional activities must conform to high ethical, medical, and scientific standards, be based on valid scientific evidence, and comply with all applicable laws, regulations, and industry codes. All sales and marketing employees are being trained on the revised code.

All employees and third parties involved in sales and marketing must also follow their business area's commercial practice policies and marketing codes as well as our global scientific engagement principles.

Voluntarily in 2011 we also implemented a new system for evaluating and compensating our sales professionals in the USA who work directly with prescribing healthcare professionals. The new system, called Patient First, bases incentive compensation primarily on sales competency, customer evaluations and the overall performance of their business, rather than the number of prescriptions they generate. We are currently exploring how we can take learnings from the 'Patient First' programme with a view to informing our global approach to sales incentives.

We reinforce our codes and policies through training and compliance procedures and by making sure the way we pay sales teams reinforces our values.

Settlement with the US government

In 2012 we agreed to make payments of \$3 billion relating to investigations in the USA over long-standing legal issues around our sales and marketing practices. As a condition of the settlement, we entered into a Corporate Integrity Agreement (CIA) with the Office of Inspector General (OIG) of the US Department of Health and Human Services, under which we will build on our existing comprehensive compliance programmes.

The criminal plea related to aspects of the marketing of *Paxil* for paediatric use and of *Wellbutrin* for certain uses, and for failure to include information about the initiation or status of certain *Avandia* studies in periodic and annual reports submitted to the US Food and Drug Administration. The civil portion of the settlement, in which we made no admission of liability beyond the admissions in the criminal plea as to *Paxil* and *Wellbutrin*, resolved allegations from three separate investigations, one into the sales and marketing of nine of the company's products; the second into certain nominal pricing and alleged bundled sales arrangements; and the third into the company's promotion submissions of *Avandia*.

While the issues in question originated in a different era for our company, they cannot and will not be ignored, and we have learned from them. Over several years, in the USA, we have taken action at all levels in the company and have enhanced and improved our procedures for compliance, marketing and selling based on our values of transparency, respect, integrity and patient focus. When necessary, we have removed employees who have engaged in misconduct and have broadened our ability to claw back remuneration from senior management in the event of misconduct.

Sales and marketing continued

Implementing the Corporate Integrity Agreement

To date, 11,000 employees covered by the CIA have completed a total of 79,000 hours training on its requirements. The GSK Board of Directors and about 300 vendors have also been trained, and 400 GSK managers have completed additional compliance training. We have improved and updated more than 153 policies and procedures. We established the Controls Centre of Excellence to enhance monitoring in our business and established risk mitigation plans for all of our marketed products.

We are reporting progress regularly to the US government and there will be an independent audit in 2013. While we have completed the implementation of the CIA's requirements, the work doesn't end here. Next steps are to continue to raise awareness of the revised policies and practices, to monitor for compliance and to live our values every day.

Direct-to-consumer marketing of prescription medicines

We advertise our prescription medicines directly to consumers in the USA and New Zealand. Direct-to-consumer (DTC) advertising of prescription medicines is not permitted in other markets.

All DTC advertising in the USA is governed by our DTC Communications policy, based on the PhRMA Guiding Principles: Direct to Consumer Advertisements about Prescription Medicines. All our DTC advertising in the USA is reviewed by legal, regulatory or medical specialists and new DTC television advertisements are submitted to the US Food and Drug Administration (FDA) for review and comment prior to broadcast. We do not advertise erectile dysfunction medicines on television.

In 2012, our US Pharmaceuticals business did not receive a Notice of Violation or Warning Letter from FDA on its advertising or promotion.

Marketing to children

Our guidelines for advertising to children prohibit advertising to children below the local legally mandated minimum age or where it is inappropriate. We will not market our drinks products to under 16-year olds unless the product delivers an appropriate nutritional benefit for children in the country where the products are marketed and we will promote our drinks products responsibly, ensuring all advertising, sponsorships and messaging are appropriate to the nutritional benefit. Sports star sponsorship is important to brands such as Lucozade Sport. Our guidelines state that only people who set an appropriate example should be used for sponsorship, and they should have an appeal that is not solely to children below the age of 13.

Working with healthcare professionals

Doctors and other healthcare professionals (HCPs) are valuable partners for GSK, providing us with scientific and medical expertise and insights into patient care. We believe this partnership is fundamental to the progress of medical science and helps meet patient and public health needs.

We believe that HCPs and healthcare organisations (HCOs) that we work with should be fairly compensated for services and expertise they provide to us. However, payments must not be excessive and must never be an inducement or reward for prescribing our products. We have clear standards, aligned to international and regional codes of practice and appropriate country laws and regulations, which govern these payments and help safeguard against this risk.

We work with HCPs and HCOs in a number of ways:

- **conducting research:** HCPs conduct clinical research on our behalf, acting as investigators who are responsible for overseeing the study. Their expertise, insight and resources help us to develop and deliver new patient treatments
- **advising and consulting:** HCPs provide expertise and insight to GSK advisory panels, for example, on specific diseases or identification of symptoms and diagnosis. They may also speak on our behalf about products and disease or therapy areas relevant to us
- **financial support:** sponsorship may be provided to an HCP to help them attend local or international meetings which must be scientific, medical and/or educational. Our support is limited to registration fees and reasonable travel, meals and accommodation.
- **grants and donations:** these may be made in response to unsolicited requests from HCOs to support healthcare or medical or scientific research. We do not receive any service, privilege or benefit in return.

You can read more about how we work with HCPs on [page 38](#) and in our Global Code of Practice for Promotion and Customer Interaction [online](#).

Transparency

We have committed to publishing the payments we make to HCPs and HCOs.

Doing this in all of the countries that we operate in is a complex and challenging task. We need to align our systems across over 100 countries and multiple currencies and meet the different regional and country reporting requirements which are being introduced. To achieve this we are introducing new processes to gather data more effectively and accurately across our business.

In the last few years we have started to publish information in several countries and supported the introduction of locally agreed government or industry association standards.

In the USA, payments made to HCPs at an individual level for speaking and consulting have been published since 2009. In 2010, we began disclosing payments made to institutions and HCPs acting as lead investigators for assisting with clinical research studies. From Q4 2012 we have aligned our reporting to new US Government requirements and you can read more [online](#).

In Australia, we have published aggregate payments made to HCPs and HCOs since 2010 and actively supported the adoption of industry association standards in 2012.

In the UK, from March 2013, GSK and other healthcare companies will start to report annually the payments made to HCPs in the previous year at an aggregate level. These will cover payments made to HCPs for advising and consulting services, financial support (sponsorship) as well as grants and donations to healthcare organisations.

During 2013, we are also planning to publish information on HCP payments in a number of other countries where specific reporting requirements are being introduced.

Over the coming years we will continue to support and work towards transparency in other countries as industry associations or governments establish specific guidelines for disclosure.

We also continue to work towards publishing global figures at an aggregate level for HCP payments including advising and consulting, financial support (sponsorship), grants and donations and for conducting research. As a UK-based company, we will use the UK standard as the basis for our approach to reporting these global figures.

Separately, we also publish information on community investment grants and product donations on [page 27](#) and on grants we make to patient advocacy organisations on [page 49](#).

Research practices

Patient safety is our priority through all stages of research and after a new product goes on sale. We are open about how we work and we disclose the results of clinical research. Our high ethical and quality standards apply to all our research and development, wherever it takes place.

Some aspects of research can raise ethical concerns, including those relating to animal and clinical research and the use of emerging technologies. We aim to address these by being transparent about our practices and regularly engaging with academics, scientists, regulators, policymakers and other stakeholders.

Clinical research

Clinical trials in healthy volunteers and patients enable us to assess an investigational medicine's potential or further evaluate the medicine once it has been approved for marketing. We conduct trials in accordance with the Good Clinical Practice (GCP) guidelines developed by the International Conference on Harmonisation, and based on the principles contained in the World Medical Association Declaration of Helsinki on the Ethical Principles for Medical Research Involving Human Subjects (2008).

Trial protocols are reviewed by an ethics committee that is independent of GSK and is made up of members of the public, medical professionals and scientists. An ethics committee has the power to reject or stop a clinical trial.

Training and auditing for clinical research

All employees must complete training on GCP before undertaking any roles relating to GSK-sponsored clinical research. In 2012 there were 49,182 GCP-related training activities. Each of these represents the successful completion of an e-learning module or instructor-led course.

In 2012 we conducted 293 clinical quality assurance assessments to confirm that the conduct of trials reflects our standards, including:

- 190 investigator sites conducting GSK-sponsored clinical trials, representing around 5% of the sites that provide the primary data on which regulatory approval is based
- 14 GSK processes, including data quality, protocol development and clinical study reporting
- 26 contract research organisations carrying out clinical trials on our behalf
- 11 GSK local operating companies involved in clinical trial activities
- five New Drug Application (NDA) Annual Reports were reviewed prior to submission to the US Food and Drug Administration (FDA) – these provide an update on the status of each study completed or in progress.

In addition, 47 investigations were conducted in response to suspected irregularities at investigator sites, contract research organisations and our own local operating companies. We fully investigate any concerns or issues identified, and take corrective action where appropriate.

Independent regulatory authorities also performed 94 inspections of GSK and the investigators we use to conduct clinical trials in 2012.

In 2012 we reviewed our informed consent documentation and procedures for paediatric studies. This review led us to enhance our procedures for identifying variations in relevant local laws and to simplify our informed consent language.

Transparency of clinical research

We are committed to reporting the results of clinical research that evaluates our medicines and vaccines, irrespective of whether the outcomes are perceived to be positive or negative. We believe this is fundamental to the advancement of medical science and helps to inform prescribers and patients about findings relating to our medicines.

We do this by:

- posting the results of our research on our publicly accessible [Clinical Study Register website](#). This receives an average of almost 11,000 visitors a month, and by the end of 2012 contained almost 5,000 results summaries posted since it was launched in 2004. In early 2013 we [announced plans](#) to expand the Register to include Clinical Study Reports.
- seeking to publish all research results as full papers in peer reviewed scientific journals. Since we made this commitment in 2009 we have submitted 2,100 articles for publication.

In October 2012 we announced a [new commitment to help researchers access anonymised patient-level data](#) from our clinical trials.

Research practices continued

Also during 2012, along with other pharmaceutical companies, we collaborated with journal editors as part of the Medical Publishing Insights and Practices Initiative to identify steps to improve the credibility of industry-sponsored research. The result was a publication, 'Ten Recommendations for Closing the Credibility Gap in Reporting Industry-Sponsored Clinical Research' highlighting opportunities for improvement. Many of these are already covered within GSK practices, including the need to ensure clinical studies and publications address important clinical questions and to make all results public.

Clinical trials in developing countries

Clinical trials are essential to ensure that innovative vaccines and medicines can be delivered to treat diseases such as pneumonia, cancer and diabetes. It is important that vaccines and medicines are evaluated in a broad population and in countries where they will be used. In some countries, such as India, regulatory authorities require local trials to be run before medicines can be licensed there.

We run clinical trials worldwide, and we recognise that running clinical trials in developing countries, where health services may not be as developed, can be challenging. No matter where in the world our clinical trials take place, the safety and well-being of patients participating in our trials is our number one priority. We conduct all of our clinical trials to the same high scientific and ethical standards, following strict international regulations and guidelines.

In 2012, concerns were raised about the conduct of clinical trials in India. These concerns related to gaining approval for trials, ensuring proper informed consent and providing compensation for trial participants where appropriate.

One of the trials highlighted, known as Oasis-6, investigated a GSK product fondaparinux (*Arixtra*) in preventing repeat heart attacks. We did not set up or run the study but purchased the study medicine, *Arixtra*, in 2004 from another pharmaceutical company when the study was already underway. Given that patients were being enrolled and receiving medication, we took the view that the trial should be able to continue.

We reviewed the findings from routine audits conducted and were satisfied that the study was conducted according to international good clinical practice standards.

One of the trial sites used for the study was in Bhopal, India which was the site of a gas disaster in 1984. GSK has not and does not intend to run clinical studies in Bhopal. The site in Bhopal was inspected by the Indian regulator and its report concluded the study was generally well run according to international good clinical practice standards and that informed consent had been obtained from participants.

The safety of clinical trial participants is of paramount importance to us, and we take any concerns about the conduct of clinical trials very seriously. We continue to review our procedures to ensure that we conduct our sponsored clinical research to the highest possible scientific and ethical standards.

Patient safety

All medicines have potential risks as well as benefits, although not everyone who takes a medicine will experience side effects. It is important that we identify, evaluate and minimise safety concerns to ensure the overall benefits of a medicine outweigh any risks.

The safety and effectiveness of new medicines must be demonstrated through clinical trials before new products can be approved for marketing. Some possible side effects are very rare and may only be detected after approval when a product is being used by large numbers of patients. We have policies and processes to help us detect and act on any such 'adverse events'.

Our Global Safety Board makes decisions on product safety issues; its remit is to ensure that safety is a focus throughout product development and to review GSK products on the market. The Board is chaired by the Chief Medical Officer and composed of senior physicians and scientists.

To further improve our patient safety systems in 2012, we created an internal medicine risk management advisory panel of senior GSK staff to act as a forum for sharing information and best practice within the company.

Research practices continued

Case study



Working in partnership to accelerate and standardise clinical development

GSK has helped to create a new partnership to speed up development of medicines by improving and standardizing clinical development practices. TransCelerate Biopharm Inc is a joint initiative among ten pharmaceutical companies and will focus on solutions that can enhance patient safety, reduce costs and streamline clinical development.

GSK is involved in five areas of work with TransCelerate:

- developing an industry-wide standard and approach for risk-based monitoring of clinical trials in order to enhance patient safety and ensure the quality of data
- launching a shared portal for investigators involved in trials to streamline access to critical information
- introducing standardised Good Clinical Practice training and qualification for investigators that will be recognised by all participating companies
- partnering with the Clinical Data Interchange Standards Consortium to develop standards that support the exchange of clinical trial data for priority disease areas
- establishing reliable and quick sourcing of quality comparator drugs for use in clinical trials to enhance patient safety and accelerate trial timelines.

Pharmacovigilance

Pharmacovigilance relates to the understanding and reduction of adverse effects from medicines. In 2012 we commissioned an independent review of our drug safety processes that confirmed GSK's high standards on detecting adverse events across the life cycle of a product.

We also provided input into the development of pharmacovigilance regulations introduced by the European Commission to raise public confidence in safety monitoring, and have provided training for GSK employees on the regulations.

External initiatives to improve patient safety

We work with government officials, industry partners and policy makers to improve safety systems for medicines and vaccines. In 2012 we were involved in several programmes, including:

- the Cardiac Safety Research Consortium, a collaboration between industry, regulators, and academia to improve cardiac safety throughout drug and device development. We published several papers as lead authors, shared data and led or participated in several research projects
- **PROTECT**, a 33-partner European project managed by the European Medicines Agency, which looks to improve pharmacovigilance techniques
- the European Programme in Pharmacovigilance and Pharmacoepidemiology, a new venture that we helped to establish which will provide training on pharmacovigilance to students and healthcare professionals.

Animal research

Animal studies remain a vital part of our research. In many cases they are the only method that can be used to demonstrate the effects of a potential new medicine in a living body before it is tested in humans. Animal research can also provide vital information about the causes of diseases and how they develop. Regulations require us to test all new medicines on animals before they are evaluated in clinical trials. Some countries require additional animal testing even when medicines have been approved for use elsewhere.

Ultimately GSK would like to see the benefits of research being applied to humans without the need for animal testing. But we do not believe this can be achieved in the foreseeable future. While animal research remains necessary, we are committed to acting ethically and providing for the animals' health and well-being.

To further improve our practices on animal research and welfare, in March 2012 we created The Office of Animal Welfare, Ethics and Strategy (OAWES), led by our Chief of Veterinary Medicine. The new Office is responsible for developing and reviewing policies, and overseeing the humane and responsible use of animals across GSK. Current OAWES initiatives look at how to make animal science modelling more robust, how IT can help provide better analysis of data gathered through animal research, and how to increase the use of non-animal research alternatives.

Research practices continued

We apply the same principles to studies conducted by external contractors on our behalf as we do to those carried out within GSK facilities. Over the past four years our animal quality assurance group has assessed the care and welfare programmes of more than 500 contractor and supplier organisations. The vast majority of these have either met our core principles on animal welfare or responded to our recommendations for improvements to their animal care programmes. On occasion we have decided not to work with a contractor either because they have chosen not to adopt our recommendations or because it was clear, following a site visit, that they were not committed to continuous improvement.

The 3Rs

Our goal is to use animals only when scientifically necessary, use as few as scientifically feasible and minimise pain and distress. Our scientists apply the 3Rs principles to all our biomedical research:

- replacing animal research with other methods where possible
- reducing the number of animals used while still providing information of a given amount and precision
- refining techniques to minimise pain and distress and maximise animal welfare.

We encourage a 3Rs culture through regular training of staff involved in the care and use of animals, raising awareness of the 3Rs, and encouraging best practice. We recognise employees who have made significant advances in implementing the 3Rs through our Animal Welfare Awards.

We entered a number of partnerships during 2012 to help reduce, refine and replace animal research, including:

- signing an agreement with Simulations Plus to develop software that simulates the absorption of drugs through the skin in humans and animals, and could potentially reduce experimentation
- participating in the launch of ‘Crack It’ initiatives organised by the National Centre for the Replacement, Refinement and Reduction of Animals in Research. These will connect scientists from different disciplines to encourage innovation in the 3Rs
- supporting the Association for Assessment and Accreditation of Laboratory Animal Care International to advance standards of animal welfare in China by organising two conferences and helping to translate a guide on the care and use of laboratory animals.

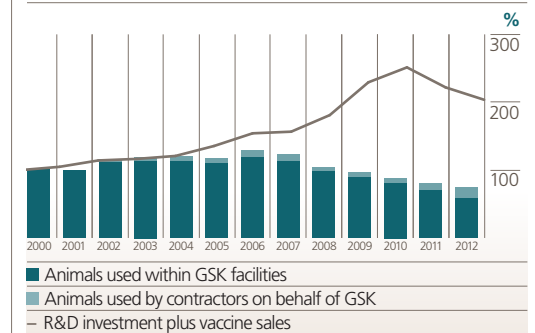
Performance in 2012

In 2012 the number of animals used was 22% lower than in 2000 while the two main drivers of animal use – R&D investment and vaccine sales – have increased over the same period.

Animal use declined 3% in 2012 compared to 2011. The year-on-year decrease since 2006 reflects changing research priorities, fewer vaccines requiring testing on animals before batch release, and a continued focus on 3Rs initiatives.

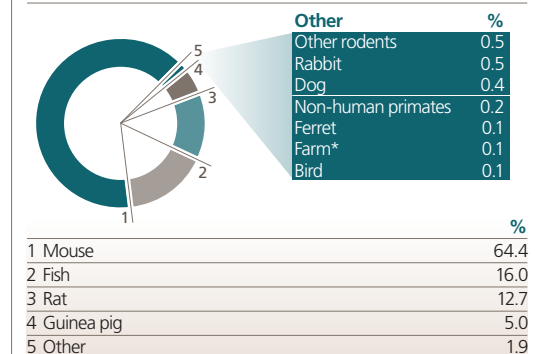
Most animals in our research – including research carried out by contractors – are mice. The number of fish as research models is increasing. For example, in 2012 zebrafish based screens were evaluated for assessing compound efficacy in both the infectious diseases and neurological therapy areas. Other non-rodents account for 1.6% of the number of animals used. Less than 0.2% of the animals we use are non-human primates.

Percentage change in animal use compared to key drivers of animal use



Figures are normalised to 2000, the first year of data after the formation of GlaxoSmithKline. Data includes animal research conducted by external contractors on our behalf, data unavailable for 2000 and 2001.

Species used in GSK animal research 2012



*(pigs, goats and sheep)

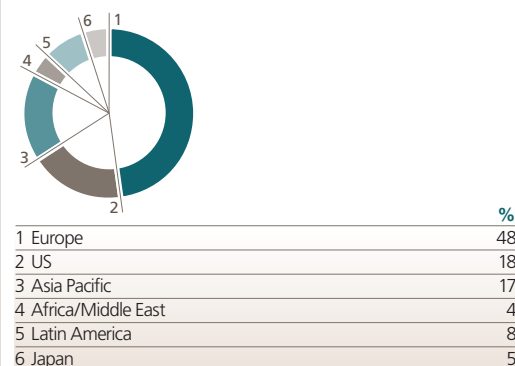
Manufacturing and supply chain

An effective and responsibly managed supply and distribution system is essential for us to get high-quality products to the right places at the right time for patients. We rely on our suppliers to deliver value at the best cost, while operating in a responsible manner.

Each year we spend around £9 billion on goods and services with 6,000 suppliers in 73 countries.

The ingredients and materials we buy from suppliers are fed into our network of more than 87 GSK manufacturing sites in 34 countries. We manufacture nearly 28,000 products and produce four billion packages annually, with more than 26,000 people working for our Global Manufacturing and Supply (GMS) division. We outsource just over 10% (in terms of production costs) of manufacturing to suppliers who provide us with finished or part-finished product. In all these areas we need to ensure high quality, responsible manufacturing of the products we make.

Regional distribution of total spend with all suppliers 2012



Our supplier standards

Our [Third Party Code of Conduct](#) defines what we expect from suppliers on ethical conduct, anti-bribery practices, labour practices, protection of human rights, environmental, health and safety management, and interactions with GSK employees. New suppliers must accept and comply with the principles of the Code and meet our quality standards before they can do business with us. Our procurement teams engage with existing suppliers to raise awareness about the Code and reinforce its principles.

A risk-based approach determines the extent of engagement with a supplier. Higher-risk suppliers are identified based on how critical they are to the supply chain and what risk they pose to the patient and business if supply is interrupted or they fail to meet our standards. Risks to the supply chain are integrated into our overall risk management and compliance oversight process.

With our more significant suppliers we conduct audits that assess their environmental, health and safety governance and risk management. Where significant gaps are identified we may recommend the use of consultants to support the supplier in making improvements, suspend or restrict supply until significant improvements are made, stop working with a supplier, or decide not to work with a potential new supplier.

We are collaborating with other manufacturing companies in our sector through the Pharmaceutical Supply Chain Initiative (PSCI), which aims to improve security of supply and reduce reputational risk by helping suppliers

to improve their ethical, labour, health, safety and environmental practices. Current collaboration initiatives include the provision of common pre-audit questionnaires and joint and shared audits, which helps to reduce duplication and makes compliance more straightforward for suppliers.

Supply chain performance in 2012

We conducted Environment, Health and Safety (EHS) audits on 13 existing and potential suppliers in 2012. Around 72 % of these audits assessed suppliers in Asia.

Supplier EHS audits 2007–2012 (existing and potential suppliers)

	2012	2011	2010	2009	2008
Americas	3	4	5	11	6
Europe	0	7	5	13	18
Asia	10	38	29	46	28
Africa	0	0	0	0	1
Total number of audits	13	49	39	70	53

Number and types of supplier audited on EHS in 2012 (existing and potential suppliers)

Type of supplier	Americas	Europe	Asia	Total
Primary (raw materials, intermediates and pharmaceutical ingredients)	1	0	7	8
Contract Manufacturing (Pharmaceutical formulations)	2	0	0	2
Consumer healthcare (excipients, actives, raw materials)	0	0	3	3

Manufacturing and supply chain continued

We conducted fewer EHS audits overall in 2012 than 2011. This is as a result of a revised audit strategy that prioritises those suppliers that are critical to our business. We have undertaken in-depth audits of these suppliers often involving multiple site visits and including above-site governance and risk management controls. We believe this approach is contributing to better relationships with suppliers and more significant and sustainable improvements.

The most EHS audit findings for suppliers occurred mainly in emerging markets and included significant deficiencies in the design and operation of safe plant and equipment, poor management of flammable liquids, and inadequate fire prevention and control measures. Additional gaps were identified in areas of compliance with regulations, management of change, emergency response preparedness, safe systems of work, loss prevention/continuity planning, and control of exposure to chemical agents.

In total, four suppliers had critical findings from their audits. As a result, one supplier has stopped a specific process that was causing concern, and the risk has been removed. Two others are not currently in commercial agreements with us, while the other is one of several suppliers in China with which we are working to bring in more robust procedures.

In addition to the more strategic audits, a further 20 audits of contract manufacturers of final products were conducted by EHS staff within the business, particularly in India, to ensure suitable standards.

During 2012 we began to map risks at supplier manufacturing sites to help us better plan for any potential interruptions to supply. We engaged the property insurers FM Global to review risks to supply continuity for 15 key suppliers. A further 20 suppliers will be assessed in 2013.

Case study



25 years of collaboration

We have a 25-year connection with Divis Laboratories in India, which we celebrated in 2012.

Since we signed our first contract with Divis to supply ingredients for *Zantac*, a drug used to treat and prevent ulcers in the stomach and intestines, our quality, EHS and technical teams have worked closely with Divis managers to develop their understanding of our requirements and to support them as they have improved their quality, environment and safety systems.

Divis has a strong focus on putting profits back into the community through activities in villages near its manufacturing facilities – including the building of a library, paying for teachers at local schools, and horticultural training for local farmers.

Over the past 25 years Divis has grown in strength and 90% of the company's business is now focused on the UK and USA.

Payment terms

We changed our standard payment terms for suppliers in the UK and US in 2012. These terms provide for payments to be made within the first five days of the month that follows the expiry of 60 days from receipt of the supplier's invoice.

We greatly value the relationships we have with our many suppliers and understand the pressures on cash flow and financing being faced by smaller companies at this time. This is why in the UK, we are willing to review the new payment terms for those suppliers that identify themselves as being Micro, Small and Medium Size Enterprises or SMEs, as defined by the European Commission. In the US, we are willing to review the new payment terms for the suppliers falling within the category of Diversity Suppliers, as defined by the relevant legislation. In addition we offer a range of supply chain finance options to both our UK and US suppliers.

For most suppliers, the changes we have made to our payment terms should have little impact if they submit their invoices towards the end of the month and we still pay most of our suppliers faster than our customers pay us. The changes we have made will make payment terms with suppliers consistent across the Group and reduce complexity. They will also provide more certainty to suppliers as to when they will be paid, something that our suppliers have unanimously fed back to us as being important.

Supplier diversity

Small companies and those owned by women or people who belong to minority groups are often under-represented in the supply chains of large companies. GSK believes that small and diverse businesses have significant potential to meet our procurement needs, and bring value to communities through job creation and revenue generation.

Sourcing from diverse suppliers has benefits for us too. It helps us comply with regulations in markets such as the USA, encourages innovation, and exposes us to new perspectives and fresh ideas. Our supplier diversity programme is led from the USA, with support from our procurement teams worldwide. In the USA, our spend with small diverse suppliers increased by 2.7% in 2012.

In 2012 we were one of the key sponsors of and participants in the MSDUK conference on supplier diversity in London, where procurement teams from 35 large companies were brought together with 200 ethnic minority businesses to listen to presentations and to network.

Manufacturing and supply chain continued

Anti-counterfeiting

Counterfeiting poses a serious threat to patient and consumer health, as well as a business threat to GSK and other pharmaceutical companies.

We work with regulatory and enforcement agencies to address this global problem and are determined to provide ways for patients to check the authenticity of our products. For example, following a pilot in Nigeria, in 2012 we introduced anti-counterfeiting measures on our products in Kenya and Tanzania. A code included on the back of packs can be sent via text message to a toll-free number. The mobile service looks up the code and sends a verification text back to the consumer if the product is genuine. In 2012 this initiative received the George DiDomizio Industry Award in the USA in recognition of the company's efforts, with its business partner in the project, to prevent the spread of counterfeit medicine.

In China during 2012 we introduced the capability to put serial numbers on the packs of 31 pharmaceutical products – allowing electronic monitoring for patient safety purposes through the Chinese government's system. As a result, serial numbers were introduced on packs of Heptodin, a medicine that combats Hepatitis 'B'. Lessons learned about this technology in China will help us implement similar initiatives elsewhere in the world.

Use of technology must be combined with other strategies, such as working with customs authorities to seize counterfeit products. We provide customs officials with information on our products, and train them to identify counterfeits. During 2012 we helped train customs officials in China, Malaysia and Vietnam, and took part in regional training sessions organised by the World Customs Organisation (WCO) in West and East Africa.

The WCO has launched an initiative called Interface Public Members to encourage the exchange of information on counterfeit products between the pharmaceutical industry and customs bodies. GSK – one of the first companies to sign up – has helped to pilot the system.

During 2012 there were significant seizures as a result of such cooperation. In China, one operation led to raids at nine underground facilities in Guangzhou, with seizures including more than 3.7m counterfeit GSK antibiotic tablets intended for West Africa. In a separate case in China, the operators of a counterfeiting factory in Guangdong Province were sentenced to lengthy jail terms for faking 56 different medicines valued at more than £1.3m, including 700,000 doses of Panadol caplets intended for the Middle East.

GSK anti-counterfeiting activity

There has been a decrease in the number of reported counterfeit incidents in 2012 and this can be attributed to a combination of effective preventative measures, such as the serialisation programme in China and also a robust investigative and enforcement strategy that has led to the significant increase in raid actions during 2012.

GSK anti-counterfeiting activity

	2012	2011	2010	2009	2008	2007	2006
Number of reported cases	358	378	367	259	289	429	248
Number of raids	208	148	96	94	94	71	57
Number of arrests	124	181	132	129	84	127	94

Read more online



We publish more detail **online** on key issues including:

- GSK Anti-Bribery and Corruption Handbook
- GSK Anti-Bribery and Corruption Guidelines for Third Parties
- Cloning technologies and stem cell research
- Disclosure of clinical trial information
- The care, welfare and treatment of animals
- The role of transgenic animals in biomedical research
- Use of Non-human Primates (NHPs) in the Discovery and Development of Medicines and Vaccines
- Counterfeiting of healthcare products
- Pharmacovigilance

Public policy and patient advocacy

Through our public policy and advocacy work, we can make a valuable contribution to debate on issues that impact public health and our business and influence regulation. In doing so, we aim to take a responsible approach, to be guided by our values and to protect the interests of patients.

Our goal is to demonstrate that all our interactions with political stakeholders and patient advocacy groups are conducted appropriately, ethically and transparently. To provide further clarity on our approach in 2012 we developed a set of [criteria](#) to guide how we choose which public policy groups we work with.

Advocacy work in support of our commitment to access and innovation is explained in the [Health for all](#) section.

Key public policy engagements during 2012 included the following:

- in the USA, much of our focus in 2012 was on the transformation of the USA healthcare system. We also submitted comments to the federal agencies implementing the Affordable Care Act, which was signed into law in 2010. Through the comment process, we successfully advocated for changes to ensure appropriate access for patients. Implementation of the law will continue through the next decade, with significant provisions coming into effect in 2014. We have engaged with federal and state governments, policymakers, healthcare professionals and payers to ensure the law prioritises quality, encourages a value-based healthcare system, maintains incentives for pharmaceutical innovation, and supports access to medicines and vaccines.
- advocated for passage of the Food and Drug Administration Safety and Innovation Act (FDASIA) in the USA, which allows for improved processes for the review of drug applications, new incentives for antibiotic research, and increased staff levels and training for rare diseases therapies.
- advocated for re-authorisation of the Pandemic All-Hazards Preparedness Act, which will improve preparation for public health emergencies in the USA.
- advocated in support of the Safe Doses Act that strengthens the USA law enforcement system to fight medical theft and protect patients from risks associated with re-sold, stolen and improperly stored medical products – including medicines re-entering the supply chain.
- worked with trade associations to ensure that proposed changes to the European Commission's data protection regulation guarantee appropriate levels of privacy for patients and study participants, but do not impede meaningful biomedical research.
- urged all European Union heads of state to find a sustainable approach to the control of pharmaceutical costs that minimises the effects of austerity measures on the availability of medicines.
- advocated for the establishment of a Federal Drug Regulatory Authority in Pakistan, which has allowed the drug regulatory process to start functioning again after nearly a year of inactivity.
- worked with European and Chinese industry and authorities to strengthen EU-China regulatory cooperation and alignment,

at a moment where significant regulatory reforms are being implemented and/or planned in both the EU and China.

- called on G20 governments to develop incentives that reward products with lower environmental impacts through supportive public procurement policies.

Trade association membership

We are a member of many trade and industry associations. Membership in these groups can support the efficiency and effectiveness of our public policy work. [This link](#) provides a list of memberships in trade associations that primarily represent pharmaceutical, consumer product, and vaccine businesses at the national, regional, and international levels. This list will be updated regularly.

Political contributions

We do not make corporate political contributions.

Employee Political Action Committee

In the USA some employees choose to make personal political contributions through the GSK employee Political Action Committee (PAC), which facilitates voluntary political contributions by eligible employees, in accordance with the Federal Election Campaign Act. In 2012 the GSK employees' PAC contributed \$565,630 – 59% to Republicans, and 41% to Democrat candidates running for state and federal offices.

Public policy and patient advocacy continued

Lobbying expenditure

In 2012 costs associated with lobbying of EU institutions were in the range of €900,000 to €1m, as outlined in our [European Transparency Register](#). This figure includes running the Brussels advocacy office, salaries, external events, travel and accommodation, consulting costs and educational materials – and takes into account the proportion of employee time spent on representing GSK's interests to EU institutions. It excludes trade association membership fees.

In the USA, we spent \$4,920,000 on federal lobbying activities in 2012 down from 2011 (see the [USA federal lobbying register](#)). This includes the costs of salaries and benefits for all employees registered to lobby the US Government; use of lobbying consultants; support for lobbying contacts such as planning activities and research; running the GSK Washington DC government affairs office; support staff; and the portion of trade association fees associated with federal lobbying.

Patient advocacy

Patient groups – non-profit organisations founded by patients, care-givers, family members and health professionals – are important stakeholders for us. They engage with healthcare providers, governments, the media, and patients to promote improved treatment and services for patients. They also campaign on issues that affect patients' and care-givers' lives. Some carry out research into the causes of and potential treatments for specific conditions.

Our relationships with patient groups help us better understand patient needs and their illnesses, which guides our R&D. In turn, our support helps patient opinions to be heard.

We provide funding to patient groups to help with day-to-day running costs and defined events or activities. Our support also includes educational assistance, training for staff, and collaboration on disease awareness and prevention projects.

All GSK employees and relevant third parties who work with patient groups must follow our guidelines and Standard Operating Procedures (SOPs). For example, we limit the amount of funding we can provide to 25% of a patient group's overall funding, and state that relationships with patient groups must never be linked to promotion of our products. We also provide training so that employees understand our requirements.

All our European operating companies are required to apply our new minimum standards

on working with patient groups. These state, among other things, that each country must nominate a senior member of staff responsible for leading and co-ordinating patient advocacy activity, and that the general manager of each country must meet at least two patient groups each year.

We publish information on all our work with patient groups [online](#) in our Europe, Asia Pacific, and Emerging Markets regions, as well as information on our support for patient groups working globally, including details of the funding received.

We also voluntarily disclose our funding support on [our US website](#) and detailed information for [GSK Australia](#) and [Canada](#) can be found on their websites.

Patient Advocacy Leaders Summits

For ten years our Patient Advocacy Leaders Summits (PALS) have been bringing patient advocates together to discuss health policy and to develop new skills and ways to expand their influence. In the USA in 2012, there was a national PALS in Washington DC, as well as eight regional PALS throughout the country, all focusing on the patient advocate's role in implementing healthcare reform. Elsewhere during 2012 we held PALS in Bulgaria, Finland, the Netherlands, Germany, Portugal, Slovakia and a Middle East and Africa regional PALS in Qatar. Since 2002, in excess of 6,000 people representing around 2,000 organizations from more than 50 countries have participated in over 80 PALS.

Case study



European Patients' Academy on Therapeutic Innovation

In 2012 we were involved in the creation of the [European Patients' Academy on Therapeutic Innovation \(EUPATI\)](#). This patient-led consortium of 29 organisations will increase the capacity of patients to be effective advocates and advisers in clinical trials, with regulatory authorities, and in ethics committees.

Between 2012 and 2017 EUPATI will provide, in seven languages and in 12 European countries, educational materials about research and development processes in medicines. It will also create a public library on medical R&D. We are a member of the EUPATI consortium and we are contributing expertise, staff time and funding.



Our approach to tax

Businesses are increasingly being challenged to ensure they contribute through the tax system to the societies in which they operate, and to provide information on their tax management principles and policies.

We understand our responsibility to pay an appropriate amount of tax. At the same time we have a responsibility to our shareholders to be financially efficient and deliver a sustainable tax rate. We also support efforts to ensure companies are appropriately transparent about how their tax affairs are managed.

Our contribution: we have a substantial business and employment presence in many countries around the globe and we pay a significant amount of tax, including corporation and other business taxes, as well as tax associated with our employees. For example, in total, over the last ten years we have paid approximately £19.5 billion in corporation tax globally.

In 2012, our global corporation tax charge on core profits was approximately £1.8 billion and we had a Group tax rate on these profits of 24.4%. This means that the corporate tax due on our core profits around the world amounted to nearly one quarter of the total core profit we made during the year. Further details about our corporate tax charges for the year are set out in our [Annual Report](#).

We pay a considerable amount of tax in the UK given that only 5% of Group sales are generated in the country. This is because a significant proportion of our global corporate functions and R&D and manufacturing activities are located in the UK. In addition to corporation tax on the profits generated, the employment and value that these activities create are subject to a number of other UK taxes including indirect tax and employment taxes.

During 2012 we took the decision to centralise our Pharmaceutical intellectual property and product inventory ownership into the UK. This move helps us to decrease administrative complexity involved with multiple owners of intellectual property within our business and also deliver supply chain and working capital efficiencies.

The changes were also made possible by the introduction of new 'patent box' tax rules by the UK Government. These rules make the UK a more attractive place to locate IP and investment. Our decision to centralise IP and fund more R&D from the UK means that over the medium term we expect to pay more corporation tax in the UK, as more of the value we generate from sales of our pipeline products will have been created in the UK and be subject to UK tax.

Relationship with tax authorities: GSK seeks to maintain open, positive relationships with governments and tax authorities worldwide and we welcome constructive debate on taxation policy. During 2012 we held bilateral discussions with HM Revenue & Customs (HMRC) in the UK and the Internal Revenue Service (IRS) in the US on the commercial terms for the centralisation of our pharmaceutical intellectual property (IP) in the UK referred to above. As a result we have agreed to enter into a bilateral Advance Pricing Agreement with the IRS and HMRC¹. This will provide long term certainty for both authorities and for GSK over the tax treatment and costs related to this move.

Transfer pricing²: in line with OECD guidelines we base our transfer pricing policy on the arm's length principle and support our transfer prices with economic analysis and reports. The worldwide nature of our operations means that our R&D and manufacturing operations are centred in a number of key locations. A consequence of this is that our cross-border supply routes, necessary to ensure supplies of medicines into numerous end-markets, can be complex.

Tax Havens: we do not engage in artificial tax arrangements – those without business or commercial substance – and our policy is to use locations only where we have substantial business presence. We have a substantial local business presence in the vast majority of the territories where we operate whether through business offices, sales force, manufacturing, R&D facilities or local distribution of our products, all of which contribute to economic development and create shared value for the region and our business.

Internal processes: we have robust internal policies, processes, training and compliance programmes to ensure we have alignment across our business and meet our tax obligations. Our Audit and Risk Committee and the Board are responsible for approving our tax strategy and management.

¹ This is an ahead of time agreement between a tax payer and a tax authority on an appropriate transfer pricing methodology for certain transactions over a fixed period of time.

² An underlying principle of transfer pricing is that even though two companies are within the same group, they have to act as if they were independent enterprises. This means that companies must be appropriately rewarded for the assets they employ and the risks they assume when entering into intra-group transactions, to ensure profits generated are taxed in the countries where the value arises. An appropriate reward is considered to be the reward which would be obtained from a third party. This is known as the 'arm's length principle'.

Our people



In focus

Our PULSE programme gives employees like Megha a chance to contribute their expertise and widen their horizons by working with a non-profit organisation – in her case with Save the Children.

▶ Read more on page **52**

In this section

Overview	53
Talent and development	54
Inclusion and diversity	55
Engaging employees	57
Health, safety and well-being	58
Reward and recognition	60

Our people

We need our people to develop their skills, appreciate different perspectives and be highly motivated, engaged and resilient.

We will gain the most from our people – and attract the best – by helping them thrive as individuals. We aim to ensure they are valued, supported and empowered to be successful both personally and professionally. We want them to feel proud of the work they do, the company they work for, and the difference they make.

GSK strives to be inclusive, accessible and attractive as an employer to people from all backgrounds. As our global footprint changes we will work to ensure this continues to be reflected in our workforce.

We have clear values that govern how we do business responsibly, and we have made a strong public commitment to these values. We ask every one of our employees to live and embody these values. We reinforce these through training, communication and how we recognise and reward performance.

We help employees remain healthy and resilient through better management of health and safety and programmes designed to improve the working environment.

In focus

Giving our people a chance to give back

“PULSE gave me an opportunity to make an impact in my own little way.”

Megha,
GSK Marketing team, India



Our PULSE programme gives employees the chance to contribute their expertise, develop their leadership skills and widen their horizons by working with a non-profit organisation.

Nearly 300 employees have taken up this opportunity to work full time with a non-profit organisation or charity for three or six months, funded by GSK.

In 2012, Megha from our marketing team in India, undertook a three-month assignment with Save the Children. Working with the charity's digital media team, she used her expertise to help Save the Children communicate about its work and raise awareness about the issues it is addressing.

This PULSE assignment gave Megha an opportunity to apply her skills and contribute to a cause she felt strongly about. Megha used her marketing experience to help share stories of children whose lives had been transformed because of the work done by Save the Children.

On returning to GSK, Megha was able to bring back the passion she experienced and apply it to her work through focusing on the patient. Save the Children has also seen an increase in donations as a result of raising the charity's profile online and engaging with the public through social media.

Overview

2012 at a glance

Talent and development

Recruited 317 graduates globally, making progress towards our target of recruiting 450 graduates a year by 2015.

▶ See page 54

317

Empowered 91 employees from 22 countries to volunteer with 51 non-profit organisations in 26 countries through PULSE assignments.

▶ See page 54



Inclusion and diversity

Increased the proportion of women in management to 40%, up from 39% in 2011.

▶ See page 55



The people we employ in our Emerging Markets, Asia Pacific and Japan regions represent 42% of our total workforce, up from 40% in 2011.

▶ See page 55

42%

Launched Project Search in the UK to help a group of young people with learning disabilities make the transition from education to the world of work at GSK.

▶ See page 56

Employee engagement

In our global employee survey, 85% said they were proud to work for GSK (based on 72% participation). This equals the level from the last survey.

▶ See page 57



Health, safety and well-being

Reduced our injury and illness rate by 10%.

▶ See page 59

10%

Provided resilience training for 6,400 employees, including advice on reducing stress and improving energy levels.

▶ See page 58

Our commitments

- Continue to promote inclusion and diversity globally at GSK.
- Extend volunteering opportunities to bring about positive change to communities and global health while providing individual development.
- Continue to create a working environment that inspires people to grow and perform in a healthy and resilient way.

External perspective

“

GSK pioneered the first Business Disability Forum with us – with the vision of making it easier to employ and do business with disabled people. The company remains committed to focusing on disability at a global level both within the organisation and in the wider business community in 2013 and beyond.

GSK have acted as trailblazers by piloting Project Search in the UK in 2012 – transforming the employability of 12 young people with learning disabilities – and providing PULSE volunteers who bring skills, knowledge, energy and expertise.

The future challenges will be ensuring GSK can take this worldwide – engaging disabled applicants, employees and stakeholders, and meet the needs of disabled and older patients as new products are developed and packaged.”



Susan Scott-Parker OBE,
Founding Chief Executive, Business Disability Forum

<http://businessdisabilityforum.org.uk>

Talent and development

We are committed to being an employer of choice, recruiting and retaining the most talented people around the world and developing their skills. We invest in employees at every level, from early careers to senior management.

Leaders and managers

We want to build the capability of leaders and managers to develop their teams, create a values-based culture and demonstrate strong leadership.

Engaging employees on our values accounts for a significant proportion of senior leaders' annual performance assessment. Line managers are assessed on how they deliver work as well as what they deliver. More than 2,200 leaders a year undertake 360-degree assessments, which give their direct line managers the opportunity to provide detailed feedback on their leadership behaviour.

Our Enterprise Leadership and Leading Business programmes aim to help managers widen their perspective and gain a better understanding of our diverse global business and healthcare challenges. In 2012, for example, 100 senior managers travelled to Kenya and India to visit businesses, hospitals and clinics, to learn more about societal, business, and medical challenges that GSK can help to solve.

We provide opportunities for high-potential employees to work closely with members of the Corporate Executive Team through our Future Strategy Group (FSG), which examines challenging business issues that affect GSK. To date 60 employees have taken part and in 2012, 25 employees completed FSG projects.

Early careers

Our early career development programmes include internships, industrial placements, apprenticeships, graduate schemes and our global MBA programme (ESPRIT).

In 2012, we recruited 317 graduates (up from 133 in 2011), making progress towards our global target of recruiting 450 graduates a year by 2015. New graduate programmes were launched in our communications, human resources and consumer healthcare units. We significantly increased the number of participants from emerging markets from 27 in 2010 to 120 in 2012. In addition, we launched new ESPRIT MBA programmes in finance, consumer healthcare, commercial, medical, and research and development.

In 2012, 52 apprentices joined GSK, bringing the number of apprentices in the UK to 85 across nine GSK sites. We continue our commitment to reimburse 100% of uncapped tuition fees for students recruited under the company's UK graduate scheme from 2015.

Development through community involvement

Our two community involvement programmes – PULSE and Orange Day – enable employees to develop their skills, broaden their perspectives and make a valuable contribution outside GSK. PULSE provides three or six month assignments for employees to work full-time with a non-governmental organisation or charity, while our Orange Day programme gives employees one paid day each year to volunteer for their chosen local community project.

Since the launch of PULSE in 2009, nearly 300 people have taken part. Recent focus areas include malaria, access to healthcare, children's health and science education. Six months after completing PULSE, nearly 80% of volunteers said they were more energised by their work at GSK. In 2012, we further assessed the value of PULSE to participants and NGO partner organisations. Our survey found a 33% increase in retention rates among volunteers (compared with the GSK employee population in the same country) and around 80% of their colleagues felt volunteers returning from placements brought back a reinvigorated energy, spirit, motivation and morale to their teams. In addition, 90% of PULSE NGO partners said their volunteer met or exceeded their expectations.

Inclusion and diversity

Being an inclusive employer enables us to better understand and respond to the needs of patients and healthcare workers in all our markets and helps us attract, retain and motivate a workforce that reflects the many communities in which we operate and with whom we work.

In 2012, we introduced Inclusive Behaviours training in the USA. This programme focuses on uncovering participants unconscious biases, to ensure behaviours are consistent with GSK values, and explains why inclusion and diversity is increasingly critical to the success of GSK.

Women

The percentage of women in higher-level management positions continued to grow in 2012, reflecting our ambition to support gender equity at the most senior levels. One region that has shown marked progress is Asia Pacific, where 45% of those at general manager level are women.

Five of our non-executive directors are women (representing 31% on the Board), exceeding our goal to have more than 25% female Board representation by 2013. Three members of our Corporate Executive Team are women (representing 23% of the team).

Women in management positions (%)

	2012	2011	2010	2009	2008
SVP, VP	27	26	25	25	25
Director	39	38	37	36	36
Manager	43	42	42	42	41
Total	40	39	38	38	38

Emerging markets

We aim to increase the proportion of people from emerging markets in management positions to bring a broader spectrum of backgrounds and experiences. The people we employ in our Emerging Markets, Asia Pacific and Japan regions represent 42% of our total workforce. Around 10% of senior managers who report to our Corporate Executive Team are from these regions and eight different nationalities are now represented within the Corporate Executive Team and Board.

Our leadership development programmes are carefully managed to ensure that talented people from all parts of world have the opportunity to participate. In 2012, employees from 27 different nationalities participated in the Leading Business programme (designed to develop our future general managers) and 30% were from emerging markets. Our First Line leadership initiative was delivered in 12 languages in 24 countries, and our global MBA programme (ESPRIT) includes participants from 23 different countries.

Employee perspective

“

After originally working at GSK as an HR Manager, I left and rejoined in 2008 to take up the role of HR Director supporting GSK Pakistan, Iran and Afghanistan. This gave me the chance to experience leading a function for the first time. Two years later, I was offered the opportunity to work on an Employer Brand project as part of the CEO's Future Strategy Group, based at GSK headquarters in London. Then, onto Singapore to lead an Asia Pacific talent development project before being appointed as VP HR Middle East and Africa in 2012, where I have been tasked to set up the area hub in Istanbul.

In summary, my career at GSK has been very fulfilling; every day I am stretched. I interact with colleagues across the world, which helps me to nurture and grow. GSK is a great place to work, where employees are empowered and our values are reflected in our ways of working.”



Fariha, Vice President, HR Middle East and Africa

Inclusion and diversity continued

Ethnic minorities

Ethnic minorities accounted for 20% of UK employees in 2012. We measure diversity in the UK by the number of employees who define themselves as non-white. In 2012 12.8% of employees were non-white, compared with 12.3% in 2011.

The proportion of ethnic minority employees in the USA increased to 22.1% in 2012. In the USA, ethnic minorities are defined as Black or African American people, Hispanic or Latino people, Asian people, Pacific Islanders, American Indian people and Alaskan natives. We continue to monitor and benchmark ourselves against industry standards defined by the North American Industry Classification System for Pharmaceutical and Medicine Manufacturing. For example, we have been engaging with external groups representing minorities through events like the National Black MBA and the National Society of Hispanic MBAs conferences, the Southeast Asian Association conference, the Council for the Advancement of Muslim Professionals conference and the Out & Equal Summit.

Ethnic minorities – UK and USA employees (%)

	2012	2011	2010	2009	2008
UK	20.0	19.6	19.4	19.4	19.2
USA	22.1	21.9	20.5	20.4	20.5

Disability

We want people with disabilities to be able to access our full range of recruitment and career opportunities. We have a long-standing commitment to a number of disability organisations such as the Business Disability Forum in the UK and SERMES in Spain.

In 2012, GSK launched Project Search (see case study to right) in the UK. We have made a commitment to focus on disability at a global level in 2013 and beyond. (See quote from the Business Disability Forum's Founding Chief Executive Susan Scott-Parker, [page 53](#).)

In the USA GSK has become a member of GettingHired.com, a national talent search organisation for people with disabilities that will enhance our opportunities to hire talented people with disabilities at all levels of the organisation.

Case study



Project Search

In 2012, GSK became the first private sector organisation in the UK to take part in the global Project Search initiative, which helps young people with learning disabilities make the transition from education to the world of work.

The first intake of 12 students, aged 17 to 24, joined employees at our corporate headquarters in September 2012 for a year of work experience in areas such as the restaurant, security, post room and IT, while they continue their last year of studies.

The project helps us think differently about the potential of young people with learning disabilities and – by providing work experience alongside full-time study – dramatically increases the chances of participants finding employment. Experience of project participants with other organisations suggest this raises employment rates from 6% to over 60%.

12

Number of Project Search students at GSK

Engaging employees

We strive to engage employees on our values and the progress we are making as a company, while listening to their views.

We keep employees informed through broadcasts from our CEO and Corporate Executive Team, and articles on our intranet. We also equip senior leaders with information they need to brief their teams on important company news and to provide local context.

Employee survey

In 2012, 68,000 employees shared their views about GSK's progress through our employee survey. There was a 72% participation rate, up from 68% in 2009, when we last conducted the survey. Survey results were communicated to employees and will be used by each business unit and function to address areas for improvement.

The most favourable percentages were in two areas: GSK values, with 93% of employees saying they understand what constitutes ethical business practices and conduct in their job and 87% saying they are very clear about what they are accountable for in their role. The survey also found that 80% of employees felt GSK was taking appropriate actions to be socially responsible (compared with a global norm of 75%).

GSK has undertaken significant business changes over recent years, including new acquisitions and joint ventures, outsourcing, site closures and staff reductions in some markets. Favourable percentages in the area of change management were lower in the survey, although slightly better than the global norm for major organisations. We continue to strive to make improvements, especially focusing on developing leadership

capability in this area by utilising GSK's 'change framework' to enable managers to better support their employees through change.

Managing change

In early 2013 we announced the expansion of a major change programme, the first phase of which was announced in the second quarter of 2012. This programme is focused on advancing technology, reducing costs, improving efficiencies and reallocating resources.

We are very conscious of the effect restructuring has on employees. We aim to achieve organisational and financial goals without eliminating positions and to redeploy employees where possible. We remain committed to consulting on changes via a number of consultation forums, as well as discussions with the European Works Council and similar bodies in countries where this is national practice. If jobs are lost through business change, we offer compensation and other support such as outplacement in line with local requirements and employment legislation. We also offer employees support through resilience training and an Employee Assistance Programme

Case study



Getting involved in the Games

A survey among employees showed that their sense of pride working for GSK increased following the London 2012 Olympic and Paralympic Games. GSK was the Official Laboratory Services Provider to the Games, using our scientific expertise and facilities to support the integrity of the Games and the health of the competing athletes.

We ran a global competition asking employees to nominate colleagues who had demonstrated the Olympic values of friendship, integrity, equality and excellence. We received more than 2,000 nominations from 83 markets and 100 winners received tickets for the Games.

Over 2,500 participants got involved in Gold Challenge fitness events, raising over £100,000 for charity. Events included the 2012km Challenge, in which employees had to cover 2012km, 201.2km or 20.12km via a range of sports. GSK teams from 43 countries travelled a combined distance of 536,774km.

Health, safety and well-being

We aim to create a working environment that inspires and supports people to grow and perform in a safe, healthy and resilient way.

To communicate more effectively with employees on health and safety, we simplified our online health and safety information in 2012 and made it more consistent across the business. We are streamlining health and safety policies and standards to reduce bureaucracy and make it easier for each part of the business to focus on key priorities.

Health promotion and disease prevention

In 2012 GSK became the first multinational employer to commit to provide comprehensive preventative healthcare services to all employees and their dependants worldwide over the next five years. This commitment is part of our mission to help people do more, feel better and live longer.

Called Partnership for Prevention, the new programme provides access to affordable healthcare and prevention services for employees even in countries where healthcare provision is expensive or inadequate. The programme will expand access to 40 services – including immunisation, cancer screening, smoking cessation programmes and HIV screening and treatment – that are not covered by health insurance. Most services will be provided through community healthcare networks or at GSK sites.

In 2012, the programme was piloted among 5,000 GSK employees and their families in Ecuador, Ghana, Nigeria and Romania. Results will allow us to develop a global approach.

Healthy, high-performing, resilient workforce

Our Energy for Performance and Personal Resilience (E4P) training programmes provide employees with support to reduce stress at work and at home, and to improve energy levels and productivity. In 2012 an additional 6,400 employees* took part in one or more resilience programmes. In 2012, a study of E4P graduates in the US sales force showed an increase in productivity, with eight more calls per month achieved in comparison with a control group.

Our programmes to manage attendance ensure that employees receive proper medical care and support to help them return to work safely and quickly. In the USA, our attendance management programme saved approximately £3.24 million by reducing time away from work due to disability and by returning employees to work sooner than the industry average, as measured by Employer Measures of Productivity, Absence and Quality.

* assured by



6,400

employees

In 2012 an additional 6,400 employees* took part in one or more resilience programmes.

Employee perspective

“

Partnership for Prevention is more than a great initiative. I think it's going to be a mind shift in this part of the world. We have been so used to treatment. Prevention is a great idea. My wife wants to know more and I have become an advocate for the programme.

”

GSK employee,
Consumer Healthcare, Nigeria

Read more online



We publish more detail **online** on key issues including:

- Hazardous chemical management
- GSK and REACH

Health, safety and well-being continued

Zero harm

Our goal is zero harm to any employee. To achieve this, our first goal is to eliminate serious incidents. Risks to employees vary according to roles but can include chemical exposure, driving accidents and repetitive strain injuries.

In 2012, there were four serious incidents at GSK globally. Two of our commercial sales employees died in motor vehicle accidents during routine calls to physicians. One incident occurred in India and the other in Argentina. As a result, our driver safety programme is being expanded. At two of our manufacturing sites, machinery-related incidents resulted in finger amputations. One incident occurred in China, the other in Belgium. Following a root-cause analysis and investigation by a machinery safety specialist at our Tianjin site in China, corrective action plans were developed and teleconferences held to review lessons learned. At our Vaccines facility in Belgium, we have reinforced equipment safety training and implemented a comprehensive preventative maintenance plan.

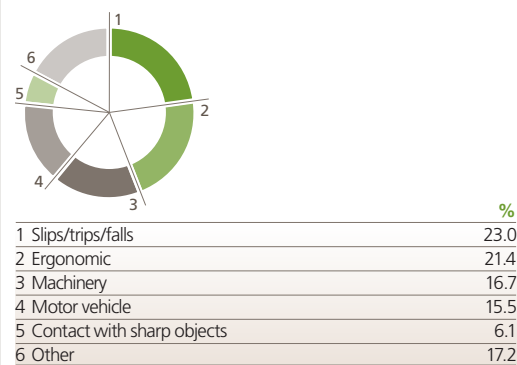
To help embed a safety culture, we are focusing on reporting of 'near miss' incidents. This enables us to learn from mistakes and prevent accidents. We routinely perform audits to ensure we are reducing and managing risks effectively. We reviewed health and safety in our commercial businesses, and as a result we will be extending our network of environmental, health and safety coordinators globally in 2013.

We continue to embed risk reduction programmes such as our Zero Access to Machinery and Respirator Free initiatives. These aim to minimise the risk of injury and serious accidents and reduce exposure to harmful airborne powders. Deployment of our Process Safety Management System to prevent catastrophic events such as fires, explosions, and releases of hazardous substances remains on target.

Data

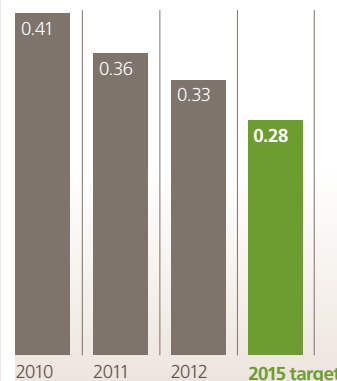
Our injury and illness rate decreased by 10% compared to 2011. Slips, trips and falls are our leading cause of injuries and illnesses accounting for nearly 25% of all incidents.*

Leading causes of GSK reportable injuries and illnesses*



Reportable injury and illness rate*

(per 100,000 hours worked)



Summary injury and illness data*

	2012	2011	2010
Hours worked (millions)	205.5	204.8	207.9
Fatalities	2	2	1
Number of injuries and illnesses with lost time	409	428	508
Calendar days lost	8,784	9,918	10,824
Number of injuries and illnesses without lost time	260	303	353
Lost-time injury and illness rate (per 100,000 hrs worked)	0.20	0.21	0.24
Calendar days lost rate (per 100,000 hrs worked)	4.27	4.84	5.21
Reportable injury and illness rate (per 100,000 hrs worked)	0.33	0.36	0.41

Notes:

- (1) Data covers employees and contract workers who are directly supervised by GSK employees. We report a snapshot of injury and illness performance for the year. Cases may be added after the end of the year, so data for prior years may change.
- (2) Lost-time injuries and illnesses are work-related injuries and illnesses that are serious enough to result in one or more days away from work.
- (3) Lost calendar days are the days – including weekends – that employees could not work because of work-related injuries and illnesses. This indicates the severity of injuries and illnesses.
- (4) Reportable injuries and illnesses without lost time are incidents that did not result in time away from work.

Our environment, health and safety data in this report is assured by Bureau Veritas. Read their assurance statement and our response on [page 71](#).

* assured by



Reward and recognition

We are open about our remuneration practices and ensure that reward is based on performance and reinforces our values.

Executive pay

Management and executive level remuneration is aligned with business performance measures and designed to reward long-term performance and sustainable shareholder value.

Our Board level Remuneration Committee sets remuneration policy and levels for our Corporate Executive Team. It has responsibility for ensuring rewards are appropriate and competitive with industry and wider market norms. Our [Annual Report](#) details the total remuneration earned and available to our Executive Directors.

Putting values at the heart of rewards

We continue to further align employee rewards and benefits to reflect our values in different ways as appropriate.

Our Developing Countries and Market Access Unit (DCMA) was set up to increase patient access to GSK medicines and vaccines while building a sustainable business in Least-Developed Countries. Objectives and rewards for managers in this unit are based primarily on volumes rather than profit to help ensure our medicines reach those that need them most.

▶ See also [Behaviour](#) (Sales and marketing)

Pensions

In 2012, we proposed a pension benefit change in the UK to cap basic salary increases at 2% pa for employees in our UK defined-benefit plans on terms that any further increase that would otherwise have been provided would take the form of a non-pensionable salary supplement. We engaged in consultation on a local and national basis including with the manufacturing trade unions. As an output of the consultation, we were able to make some amendments to the original proposal. The proposed change will take effect from 2013. In considering cost management and changes to benefits such as this, we seek to continue to strike the right balance between company and employee interests.

Fairness and equity

We aim to provide consistent and fair reward across global locations, and to tailor benefits to suit local circumstances (see case study). Among our 14,000 most senior employees, the structure of bonuses and long-term incentives are consistent regardless of location.

Case study



Thinking locally

We 'think locally' when it comes to pay and benefits, creating packages that will be attractive and competitive in each location. In Vietnam, for example, we provide loans to employees to cover the purchase of a new motorcycle, registration tax and insurance for three years. This gives employees a reliable form of transport and provides us with an advantage when attracting and retaining talent.



Our planet

In focus

We are reducing our carbon footprint through greener methods of making antibiotics.

▶ Read more on page 62

In this section

Overview	63
Carbon	64
Water and waste	66
Managing other impacts	68
Engagement	69
Data summary	70
Summary of assurance statement	71

Our planet

We are growing our business to bring innovative medicines to more people around the world and we are committed to reducing our environmental impact as we do so.

Environmental sustainability is a priority for GSK. The effects of climate change and water scarcity could undermine hard-won improvements in global health, and the natural resources we rely on to produce our medicines and other products are becoming scarcer and more expensive. Our stakeholders expect us to manage our environmental impacts responsibly.

By reducing our footprint, using resources more efficiently, and working with others to tackle these challenges, we can reduce costs, build competitiveness and create trust in our business.

We have set ambitious goals to reduce carbon, water and waste across our value chain – from our use of raw materials and the impacts of our suppliers to the footprint of our labs and factories, and the use and disposal of our products by patients and consumers. To meet these goals, we must involve our employees and partners.

In focus

Sustainable antibiotics

Amoxicillin is one of the most widely prescribed antibiotics in the world, and GSK manufactures around 1.5 billion tablets a year. Our antibiotics have the third largest carbon footprint of any of our products, and based on sales projections, this footprint will increase by 2020.

The traditional process to synthesise amoxicillin requires energy-intensive cooling and large volumes of organic solvents, which create waste. However, the green chemistry team at our site in Singapore has developed a way, by using an enzyme, that could cut carbon emissions from this process by 36,000 tonnes and reduce organic waste by around 2,400 tonnes.

The enzyme 'couples' two compounds together in water to form amoxicillin, using fewer steps, less cooling and fewer organic solvents than the traditional chemical process. This innovation makes an important contribution to our goal to reduce our carbon footprint by 25% across the business by 2020. Our antibiotics are sold in a highly competitive market, so these improvements can also help to differentiate the product. In 2012, we announced plans to invest \$40–60 million (Singapore dollars) in converting to enzymatic amoxicillin manufacturing at our Quality Road site in Singapore.

“
Our goal is to reduce our carbon footprint by 25% across the business by 2020”



▶ Read more [online](#)

Overview

2012 at a glance

Carbon

Despite reducing our carbon from energy use by 15% since 2010, our total carbon footprint (excluding that from raw materials) has increased by 7% from 2010 driven by higher inhaler sales.

▶ See page 65

↑ 7%

Water

Reduced water consumption in our own operations by 14% compared to 2010.

▶ See page 66



Waste

Cut total waste by 9% and sent 40% less waste to landfill compared with 2010.

▶ See page 66

40%

Established an inhaler recovery and recycling service in the UK, USA and Chile, collecting more than 90,000 used inhalers in the UK.

▶ See page 67



Managing other impacts

Created a Green Chemistry Performance Unit to research ways to replace hazardous chemicals and processes with lower impact alternatives.

▶ See page 68



Pledged £12 million to establish a Centre of Excellence for green chemistry in collaboration with the University of Nottingham, UK.

▶ See page 68

Engagement

Engaged 32 suppliers on carbon, water and waste reduction.

▶ See page 69

32

Our commitments

- Reduce our overall carbon footprint by 25% by 2020 (vs. 2010) and have a carbon neutral value chain by 2050.
- By 2020, reduce our water impact across the value chain by 20% (vs. 2010).
- By 2020, reduce our operational waste by 50% (vs. 2010).
- Build sustainable supply lines for our nutrition portfolio and work with local farmers to improve their agricultural practices, improve their yields, their competitiveness and their livelihoods.

External perspective

“

All companies and organisations, both public and private, are closely examining how they can add social and business value while operating within financial and environmental limits. GSK has risen to this challenge by being committed to examining the environmental footprints of their products and services. Moving forward, GSK will need to improve the environmental efficiency of their products and services, and at the same time acknowledge that they may need to adapt their core business to move towards services that promote and protect health.

”



David Pencheon,
Director of the NHS Sustainable Development Unit

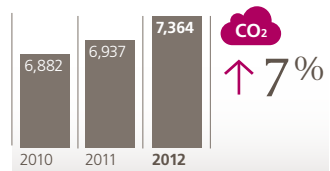
<http://www.sdu.nhs.uk>

Carbon

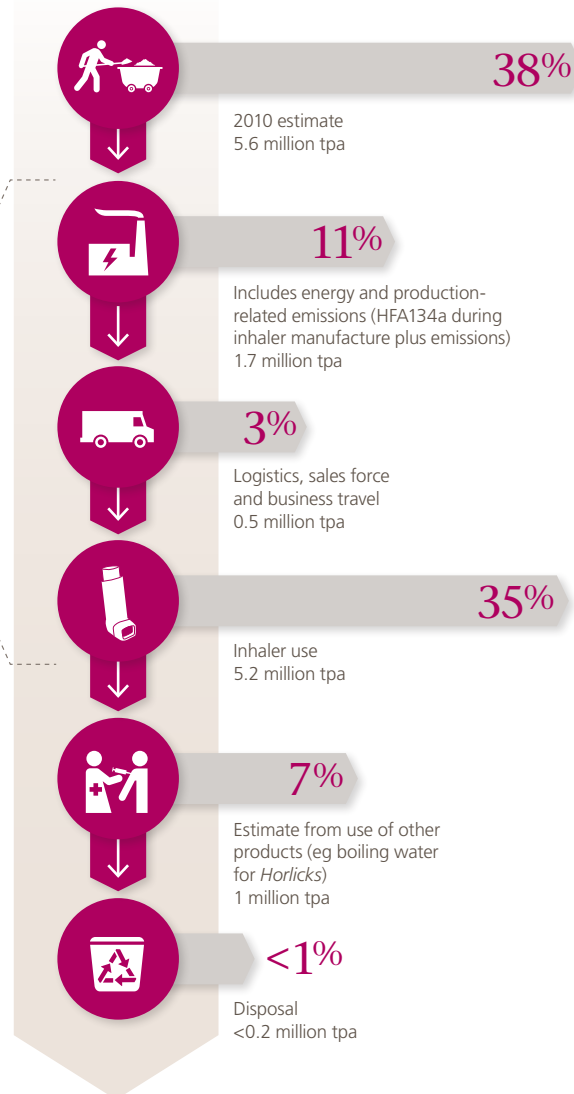
Our long-term goal is for our value chain to be carbon neutral by 2050. This means we need to look at every process associated with our products – from sourcing raw materials to manufacturing, use and product disposal.

Absolute emissions from operations, transport and inhaler use

Our carbon footprint has increased by 7% excluding the contribution of raw materials. While we reduced carbon from our energy use by 15% since 2010, increased inhaler sales have resulted in a 12% rise in carbon since 2010.



Understanding our CO₂ value chain carbon footprint 15 million tonnes per annum (tpa)



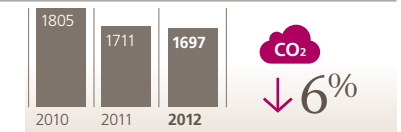
Raw materials

We estimate that impacts in our supply chain from the raw materials we source account for about 38% of the carbon footprint of our products. We are working with suppliers to help them reduce their impacts and use resources more efficiently.

Operations

Our operations generate CO₂ emissions, mainly from energy use, accounting for around 11% of our products' total carbon footprint. We are looking for ways to make our processes more efficient and use less energy.

CO₂ generated from operations



Transport and logistics

We generate emissions from business travel, which we aim to minimise, and from transporting products to our customers.

CO₂ generated from transport & logistics



Metered dose inhaler use

Emissions associated with use of our metered dose inhalers account for 35% of our value chain carbon footprint.

CO₂ generated from metered dose inhaler use



Other product use

Emissions associated with use of our other products (such as boiling water to make Horlicks) by patients and customers account around 7% of our overall footprint.

End of life

Emissions from disposal of our products make up less than 1% of their carbon footprint. Inhalers have the biggest impact and we are starting to collect inhalers for recycling to reduce this (see page 67).

The % contributions are based on assuming our value chain footprint is 15 million tonnes CO₂

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Carbon continued

For our 2011 performance, we again achieved global certification to the Carbon Trust Standard, which certifies that across the company we are making year-on-year overall reductions in emissions associated with operations and transport for the time period. GSK is the only multinational to have achieved this standard to date.

Performance in 2012

The carbon footprint excluding the contribution from raw materials (which we cannot currently measure on an annual basis) has increased by 7% compared to 2010. We reduced the carbon footprint from energy for operations by 15% compared to 2010 but increased sales resulted in a rise in the carbon footprint of product transportation. The use and disposal of our metered dose inhalers account for approximately 35% of our value chain carbon footprint. Increased inhaler sales have resulted in a 12% rise in greenhouse gas emissions from inhaler use (compared to 2010). However, we have carbon reduction projects underway that should enable us to reach our interim target to cut our value chain carbon footprint by 10% to 13.5 million tonnes of CO₂ equivalent by 2015.

We have upgraded on-site power generation facilities to combined heat and power plants and now have 18 operating units across 12 sites. This has saved 40,000 tonnes of CO₂ equivalent per year. Approximately 2% of our energy needs are supplied by renewable sources of energy at 23 of our sites.

We are continuing to research specific aspects of our carbon footprint to help us identify opportunities for reductions. As of the end 2012 we had completed carbon footprint analyses of more than 30 products and identified changes that could reduce emissions in manufacture and use. We are focusing on projects that have the potential to achieve significant reductions, but we will not ignore opportunities to make smaller changes that together can add up to big savings.

We participate in the Carbon Disclosure Project – an investor-led initiative aimed at improving transparency around corporate carbon emissions – and report annually to the project on our policies, programmes and performance in this area. Details can be seen on the [CDP website](#).

We have also collaborated with organisations such as the National Health Service Sustainable Development Unit and the Association of the British Pharmaceutical Industry to develop carbon footprinting guidance for pharmaceutical companies.

Case study

Cutting carbon footprint of *Horlicks*

Horlicks, our nutritional drink, is the second largest source of carbon emissions in our product range (after inhalers) estimated at 800,000 tonnes CO₂. If we can cut emissions from *Horlicks* we will take an important step towards meeting our climate change goals.

We analysed the carbon footprint of *Horlicks* in 2010, and found that milk production accounted for more than half of emissions across its value chain. To tackle this we went back to the source – buffalo and dairy cows. By enhancing an established Indian government programme to help farmers learn about modern milking techniques – and giving them access to better veterinary care – we are increasing our milk production per cow, which will reduce the overall carbon footprint.

Additionally, we are introducing low-carbon biomass energy generation in *Horlicks* factories using waste wood to replace coal, which we expect to save 28,000 tonnes of CO₂ equivalent annually by 2015.



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Water and waste

Minimising waste and water use helps reduce our environmental footprint, improve efficiency and save money, while protecting limited natural resources.

Water

GSK is a signatory to the [UN CEO Water Mandate](#), an initiative to help companies develop, implement and disclose sustainable water practices.

This demonstrates our commitment to working with governments, civil society and other stakeholders to protect and fulfil the human right to water as defined by the United Nations – and in particular to reducing our water consumption in parts of the world where it will make the biggest difference. We are developing a longer-term water strategy with input from NGOs to build on commitments made in the Water Mandate and plan to launch this before 2015.

We use fresh water in manufacturing processes and within products such as drinks and vaccines. But around 80% of our value chain water footprint is associated with the sourcing of raw materials, for instance the milk used in products such as *Horlicks*.

Our target is to reduce the impact of water consumption across the value chain by 20% by the end of 2020. We think it is important to start with our own operations before asking others to change, not least because we can learn valuable lessons that can be shared with suppliers.

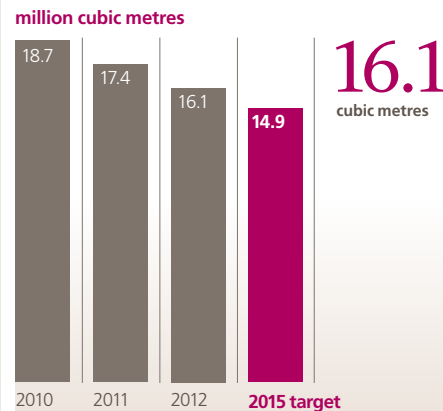
Many effective ideas for reducing water use come from employees, especially in water-stressed areas. For example, at our plant in Port Fairy, Australia, water is required for three stages of the manufacturing process.

Following a suggestion from an employee, instead of pulling fresh water from the local supply for each stage, water is now recycled, saving around 30 million litres every year, or 20% of water used at the plant.

In Nabha, India – another water-stressed region – our staff have achieved a 48% reduction in water use since 2003, from 635 million litres to 330 million litres. Measures have included making sure water use is measured and metered, not using pressure hoses for general cleaning, re-using treatment water for watering plants, and recirculating cooling water.

We respond annually to the CDP Water Disclosure Project, an investor-led initiative that supports sustainable corporate water management, and our latest submission to the project can be found on the [CDP website](#).

Net water consumption in our operations

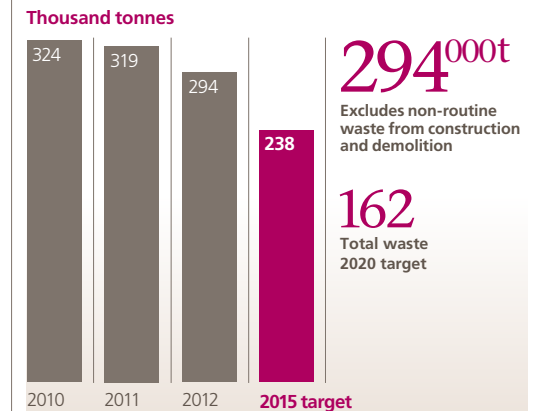


Waste

In 2012, we reduced the amount of total waste (hazardous and non-hazardous) by 9% compared to 2010, making progress towards our targets to cut waste by 25% by 2015 and 50% by 2020.

We also reduced waste sent to landfill by 41% compared to 2010, working towards our goal of zero waste to landfill by 2020. A total of 34 manufacturing sites now send no waste to landfill. We have made these reductions through a number of measures, including the recovery of more of the solvents used in manufacturing our active pharmaceutical ingredients and improving waste segregation across our plants and offices.

Total waste generated



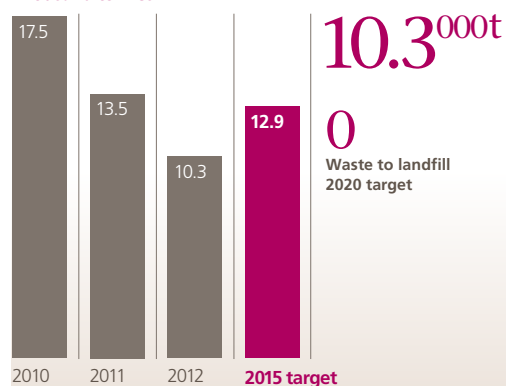
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Water and waste continued

Waste to landfill

Thousand tonnes



Recovering solvents

If water is excluded, solvents make up more than 80% of the material used to make an active pharmaceutical ingredient. We use around 175,000 tonnes of solvents a year and recover 85% for re-use.

Re-using solvents can significantly reduce waste and save money on disposal and buying new solvent.

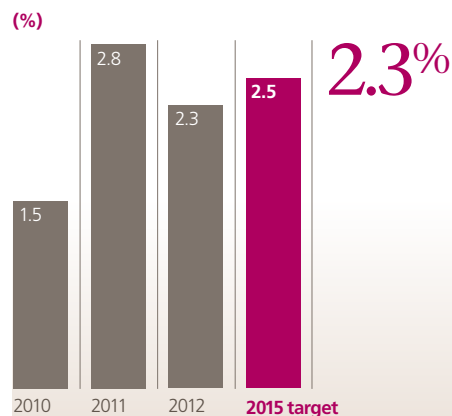
We continue to look for opportunities in manufacturing. In 2012, for instance, we introduced recovery of diisopropyl ether solvent at Ulverston in the UK, where we manufacture antibiotics. This will reduce

hazardous waste incinerated by 130 tonnes per year, saving £250,000 and 520 tonnes of CO₂ equivalent.

Mass efficiency

In 2012 we made further progress on improving mass efficiency, which is a measure of the amount of raw materials required to make a new active pharmaceutical ingredient and weighted to account for scale of manufacture. We prioritise larger scale processes where introducing new chemistry or solvent recovery has the biggest benefit. This mass efficiency figure represents a snapshot of our performance. In 2011 one of the products transferred to manufacturing was a large scale process with a developed solvent recovery process resulting in an average mass efficiency of 2.8%. In 2012 lower volume products were transferred and the mass efficiency was slightly lower at 2.3% but still a good improvement on 2010.

Mass efficiency of primary processes



Packaging

The packaging used for our products is highly visible to patients and consumers. Our aim is to use paper and packaging materials made from wood that has been grown and harvested responsibly. During 2012 we surveyed suppliers of carton board packaging, corrugated packing, and leaflet paper. With the Rainforest Alliance, we have developed an internal policy and will

be using survey responses from our suppliers to identify where to prioritise actions to meet our targets.

We continue to recycle PET from packaging trays used to deliver components to our sites at Ware, UK, and Evreux, France. This means we purchase less recycled PET on the open market to make *Ribena* bottles which we make using 100% recycled PET.

Case study



Inhaler recycling programmes

After patients finish with their GSK inhalers, inhalers usually end up in landfill as waste. Complete the Cycle is a new recovery and recycling programme aimed at reducing that waste. In the UK in 2012 we expanded a pilot programme and have now collected more than 90,000 inhalers. We estimate that we have saved 628 tonnes of CO₂ to date. We will be making **Complete the Cycle** available across the UK in 2013.

In the USA we expanded a similar programme from five to 31 cities, where participating pharmacies receive kits that include special containers for customers to drop off inhalers. Pharmacies are supplied with prepaid envelopes so inhalers can be sent free-of-charge to a specialised recycler. The plastics are used to make new household products, such as plastic

flowerpots, while the remaining gas will be captured and the metal components will be recycled.

We also have inhaler recycling schemes in Chile, and are exploring options in Australia, Japan, the Czech Republic, Hungary and the Nordic countries.

In manufacturing we are also working with a supplier, the Presspart Group, to use recycled aluminium in the cans of our *Ventolin*, *Seretide/ Advair* and *Flixotide* metered dose inhalers where possible. As a result, carbon emissions from producing cans for GSK have been reduced by around 11,000 tonnes of CO₂ equivalent per year.

682^t

CO₂ saved

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Managing other impacts

In addition to our priority focus areas of carbon, water and waste, we manage a range of other important environmental issues.

Green chemistry

'Green chemistry' aims to replace hazardous chemicals and processes with those that have a smaller environmental impact. In 2012 we created a Green Chemistry Performance Unit to put green chemistry theories into practice. The unit has published 12 internal guides that help employees make better chemical choices when designing or developing products.

During the year we formalised a £12 million collaboration with the University of Nottingham in the UK to establish a Centre of Excellence for green chemistry and to construct a carbon neutral sustainable chemistry laboratory. The Centre, which is scheduled for completion in 2014, will encourage the development of cleaner, safer and more efficient processes.

Pharmaceuticals in the environment

Pharmaceuticals are not always completely absorbed or broken down by the body, and residues can find their way into the environment when excreted or if unused medicines are disposed of by consumers. Our policy statement on pharmaceuticals in the environment is available [online](#). We continue to participate in research on this important issue, partnering with the Universities of Birmingham, Cambridge and York in the UK and working with industry and trade associations such as the European Federation of Pharmaceutical Industries and Associations.

Chlorofluorocarbon (CFC) refrigerants

We are working towards eliminating our inventory of chlorofluorocarbon (CFC) refrigerants, which deplete the ozone layer. In 2012 we removed more than 90% of our remaining CFCs (3.2 tonnes) by disposing of two large pieces of chilling equipment where the CFC was recovered and safely destroyed, and selling a building which contained two large chiller units to a third party. This means we now have only low volumes of CFCs (collectively less than 300kg) in small pieces of equipment at various sites across the world. These will be disposed of safely over time as the equipment is decommissioned.

Remediation

Waste disposal and industrial activity can contaminate soil, surface or ground water. GSK takes responsibility for environmental remediation work at facilities we have used previously and at the disposal sites of waste management companies we have used but which have gone out of business. There are currently 23 environmental remediation sites around the world for which GSK has part or sole responsibility.

During 2012 we spent \$3.8 million on environmental remediation. It is estimated that future remediation work will cost approximately \$40.4 million.

Compliance and fines

No fines were reported this year.

Internal audit

We audit our operations to make sure environmental risks and impacts are identified and managed effectively. The need for audit is determined based on business knowledge, modelling of risk indicators and trends from previous audit findings. The team responsible for auditing environmental, health and safety (EHS) are all certified ISO 14001 Environmental Management lead auditors.

In 2012 there were EHS audits at 31 sites globally across different business units. These audits included a review of environmental management systems. The management of environmentally hazardous materials in waste water was audited as a theme across manufacturing sites resulting in a number of improvements.

Read about EHS audits of key suppliers in the [Supply Chain](#) section.

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Engagement

Engagement with employees and suppliers helps deliver our strategic environmental objectives. Environmental issues are often complex and we can address them more effectively by working together.

Engaging employees

We need our employees to understand the environmental challenges we face, the value of what they contribute as teams and individuals, and what else we can achieve together.

To get employees involved, we have set up a global network of 'sustainability advocates'. These employees typically volunteer to take on the role, and are enthusiasts who promote sustainability among colleagues, changing practices and behaviours at work and at home.

Advocates help to establish waste reduction programmes, encourage employees to share good environmental practices and promote community projects. As well as increasing awareness, many advocate-led projects result in savings for GSK. We use social networking to encourage discussion, generate ideas and enable employees to make new connections.

Our CEO also runs annual awards to recognise the contributions and innovations of teams around the company on environment, health, safety and sustainability. This year we had 62 entries for the sustainability award section.

Engaging suppliers

As around 40% of our carbon footprint lies in our supply chain, we must engage with suppliers if we are to reduce our environmental impacts. Using the carbon footprint analysis of our top 20 products as a starting point, we have begun to talk to our supply chain partners about carbon, water and waste reduction. We have asked them for data on their own environmental footprints, and organised workshops to work with them to identify opportunities for carbon savings. During 2012 we engaged with 32 key suppliers on environmental issues.

Read more online



We publish more detail **online** on key issues including:

- Climate change
- Hazardous chemical management
- Genetically modified micro-organisms and Environment, Health and Safety (EHS)
- GSK and REACH
- GSK and the convention on biological diversity
- Nanomaterials
- Ozone depletion and metered-dose inhalers for asthma
- Pharmaceuticals in the environment
- The impact of climate change on health
- Use of ozone-depleting substances in ancillary plant and equipment

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Data summary

Our environment, health and safety data in this report is assured by Bureau Veritas. Read their assurance statement and our response on [page 71](#).

For a more detailed breakdown of metrics and more data please see the download available [online](#).

Performance data summary

	2012	2011 Note 1	2010 Note 1	% change since 2010	2015 target % change Note 6
Carbon (thousand tonnes CO ₂ -equivalents per annum)					
Carbon footprint	Note 2	Note 2	15,000 Note 3	–	-10
Climate change impacts from:					
Raw materials	Note 2	Note 2	5,660	–	
Operations (operational energy and other sources) Note 5	1,698.2	1,710.9	1,805.0	-5.9	
Operational energy	1,300.5	1,416.3	1,528.5	-14.9	
Transport	468.1	466.1	430.0	8.9	
Product transport	202.7	199.9 Note 4	169.1 Note 4	19.9	
Employee air travel	89.4	97.2	95.8	-6.7	
Sales force vehicles	167.0	168.9	165.1	1.2	
Inhaler use by patients	5,198	4,760	4,647	12.0	
Water (million cubic metres)					
Water use from operations	16.1	17.4	18.7	-13.9	-20
Waste (thousand tonnes)					
Total operational waste generated	294	319	324	-9.2	-25
Total operational waste to landfill	10.3	13.5	17.5	-40.9	-25

1. 2010 and 2011 values have been restated from our previous report where some estimated data were included when actual data were not available.

2. We will reassess our carbon footprint across our value chain in 2015; annual performance is not available.

3. We investigated the use phase of our products in partnership with the University of Manchester, UK and estimated that the use of our products (not including inhalers) adds approximately 1 million tonnes CO₂e to our value chain footprint.

4. In 2012, we have revised the emission factor used for refrigerated cargo ocean transportation with the one published in the 2nd International Marine Organisation (IMO) GHG Study 2009. We have restated the data for 2011 and 2010.

5. Other sources include the CO₂ equivalent impact of inhaler production losses, leaks from chillers, production-related releases, waste treatment related releases.

6. 2010 baseline.

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Summary of assurance statement

Basis of reporting and external assurance

Energy and CO₂ emissions data are collected from all 75 of our pharmaceuticals and consumer healthcare manufacturing sites, 16 vaccines sites, 15 pharmaceuticals and consumer healthcare R&D sites, the UK headquarters building and 59 offices and distribution centres. Water and non-hazardous waste data are collected from all our manufacturing and vaccines operations, R&D and major office locations. Based on our materiality assessment, we do not collect hazardous waste and wastewater data from offices and sites that manufacture consumer healthcare and nutritional products, while volatile organic compound (VOCs) are reported only from sites that manufacture pharmaceuticals and contain R&D pilot plants. We use the Greenhouse Gas Protocol for all of our calculations of CO₂ emissions from energy use, propellants and refrigerants. We use CO₂ country factors for electricity published by the International Energy Agency in 2011.

This is the first year Bureau Veritas UK Ltd has been engaged by GSK to provide independent assurance of the Environment, Health and Safety (EHS) data and related information within the People and Planet Sections of its 2012 Corporate Responsibility Report.

Sites were selected for review from all of the GSK businesses. Site-specific audits were conducted at six sites where data was verified back to source. There was special focus on sites that had been top contributors to environmental emissions the previous year, sites that had not been previously visited in prior years, and sites that had difficulty submitting data in a timely manner.

Bureau Veritas' Summary independent assurance statement

Bureau Veritas UK Ltd has been engaged by GSK to provide independent assurance of the Environment, Health and Safety (EHS) data and related information within the People and Planet Sections of its 2012 Corporate Responsibility Report. The report pages that have undergone assurance are indicated by the Bureau Veritas logo with comment 'Assured by Bureau Veritas'. The full assurance statement can be found [here](#). This includes full details of the scope of work, methodology, findings and recommendations for improvement.

The scope and methodology included an assessment of EHS data and associated data management processes. This involved detailed review of the integrity of selected datasets and data aggregation and checking processes at a corporate level as well as sampling data back to source at six GSK sites. These sites were chosen to represent the manufacturing sites with greatest emissions; the range of different GSK operations (ie GMS, vaccines and R&D); and geographical spread. Interviews were also undertaken with EHS Directors to understand GSK's sustainability strategy, objectives, targets, implementation plans and progress.

It is Bureau Veritas' opinion that GSK's 2012 Corporate Responsibility Report demonstrates an understanding of the EHS material issues and GSK has generally made good progress in managing and reducing its EHS impacts. The report provides a fair summary of EHS-related activities and performance metrics and data are free from omission and significant error;

The full assurance statement includes recommendations for improvement, including refinement of data collection processes.



London
February 2013

GSK's response to assurance

We are pleased with Bureau Veritas' findings on GSK's progress in managing and reducing EHS impacts. We are committed to continued improvement, with the ultimate goal of providing the most accurate EHS data to the public on our website. In 2013, we will continue to work toward improving our data accuracy with an emphasis on incorporating the recommendations provided by Bureau Veritas.

▶ Read GSK's full response to assurance [here](#)

Governance and engagement

Good governance and transparent reporting are part of our commitment to be open about our business activities. We also engage stakeholders directly to understand and prioritise the issues that are most important to them.

Governance

Our Corporate Executive Team (CET), headed by CEO Andrew Witty, is accountable for responsible management of the business and for overseeing relevant policies and programmes at GSK.

CET members also participate in our Board-level Corporate Responsibility Committee (CRC). The CRC provides high-level guidance on our approach, and reviews our policies and progress. During 2012 the CRC members were Sir Christopher Gent (Chair), Dr Stephanie Burns, Dr Daniel Podolsky and Lynn Elsenhans (who joined in October 2012).

The CRC meets four times a year, or more frequently if necessary. Reports from senior managers and members of the CET enable the members to review and ensure progress on responsible management of the business. The Committee reports its findings to the Board each year, and a summary of the 2012 CR Committee Report is contained in our Annual Report.

The Board-level Audit and Risk Committee, focuses on the key business risk areas for GSK, including non-financial and reputational risks, supported by our Risk Oversight and Compliance Council (ROCC) to ensure that effective internal controls are implemented for all significant risks. The ROCC is chaired by our Corporate Compliance Officer and includes at least three members of the CET. Other members include the General Counsel, Company Secretary and the Head of Audit & Assurance, with additional members added as appropriate.

We manage specific issues through governance bodies such as our Sustainability Steering Team, consisting of senior leaders from across the business who bring a perspective from GSK's different businesses to environmental debates and shape our environmental strategy, making sure it is intergrated.

Audit and assurance

We assess many aspects of our responsibility performance through our internal and external assurance processes. Our Audit & Assurance department has responsibility for independently assessing the adequacy and effectiveness of the management of significant risk areas and reporting outcomes to the Audit and Risk Committee in line with an agreed Assurance Plan. This includes assessing, on a sample basis, the process and controls in place to comply with laws, regulations and company standards across GSK.

The audit team recommends improvements for any issues identified and GSK managers develop action plans to address the causes of non-compliance and gaps in internal controls. Audit & Assurance tracks these plans through to completion and reports results to senior management and the Audit and Risk Committee.

Read more about assurance, internal audit and risk management in the Governance section of our Annual Report.

▶ See our **Annual Report** for more details

Governance and engagement continued

Stakeholder engagement

Engagement and dialogue enables us to understand the needs of key stakeholders and keep in touch with their views. Their feedback allows us to identify important issues – current and emerging – and shapes our responses to these issues to ensure they are in the best interests of wider society as well as our shareholders. It also helps to build trust in GSK.

Most of our engagement takes place in the normal course of business – in day-to-day interactions with customers, employees, suppliers and other partners. But we also carry out more formal and structured engagement, including through meetings, consultations, surveys and participation in conferences and debates. We provide training to help managers in our markets communicate with local stakeholders on our approach to responsible business and transparency.

Examples of how we engaged stakeholders are included throughout this report, but in addition, in 2012 we undertook:

- Consultation with non governmental organisations, global public health groups, socially responsible investors and sustainability think tanks on GSK's existing, and future responsible business commitments. This included a roundtable meeting, interviews and a survey facilitated by Business for Social Responsibility that helped shape our promises and goals (see page 8).

- Meetings with investors to discuss aspects of GSK's responsible business strategy.
- Our employee survey, which received responses from 68,000 respondents (a 72% participation rate) and gave us valuable insights into staff views about the strengths and weaknesses of GSK (see page 57).
- A broad range of engagement with NGOs, international organisations, governments and other policymakers to better understand the issues around increasing access to healthcare in a sustainable way. In 2012, we acted as co-chair of the UK's Industry Government Forum on Access to Medicines and participated in the Partners Forum of the UK Government's Global Health Strategy; attended WHO Executive Board meetings and the World Health Assembly; participated as board members of the GAVI Alliance and Roll Back Malaria Partnership and engaged with the Intergovernmental Meeting on Pandemic Influenza Preparedness.

About our reporting

We report our performance annually in this report as part of our commitment to be open and transparent about our business activities. Responsible business is also covered in our **Annual Report**.

Reporting standards

Our **Global Reporting Index** shows which elements of the guidelines are covered in the report. As a member of the UN Global Compact, GSK also publishes an **index** to show how we are reporting in line with Global Compact expectations.

Data coverage

Data in this report relates to worldwide operations for the calendar year 2012, except where otherwise stated. Data in the environment and health and safety sections has been independently verified by Bureau Veritas. Brand names appearing in italics throughout this report are trademarks owned by and/or licensed to GSK or associated companies.

www.gsk.com

Here you will find down-loadable PDFs of:

- Annual Report 2012
- Annual Summary 2012
- Form 20-F
- Corporate Responsibility Report 2012

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Our people divider page:
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Our planet divider page:
Getty Images

Your feedback counts

We welcome your feedback on our responsible business performance and reporting.

Please let us know if you would like to receive regular updates on our progress.

csr.contact@gsk.com

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