Governance & remuneration

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Our Board

Diversity

Experience	
Scientific	19%
Finance	31%
Industry	50%

International experience	
Global	75%
USA	100%
Europe	94%
EMAP	63%

Composition	
Executive	19%
Non-Executive	81%
Male	69%
Female	31%

Tenure (Non-Executives)	
Up to 3 years	39%
3-6 years	15%
7-9 years	23%
Over 9 years	23%

Sir Christopher Gent 66
Chairman

Nationality
British

Appointment date
1 June 2004 and as Chairman on 1 January 2005

Committee membership
Corporate Responsibility Committee Chairman, Nominations, Remuneration and Finance

Skills and experience
Sir Christopher has many years of experience of leading global businesses and a track record of delivering outstanding performance in highly competitive industries. He was appointed Managing Director of Vodafone plc in 1985 and then became its Chief Executive Officer in 1997 until his retirement in 2003. Sir Christopher was also a Non-Executive Director of Ferrari SpA and a member of the British Airways International Business Advisory Board.

External appointments
Sir Christopher is a Senior Adviser at Bain & Co.

Sir Philip Hampton 61
Chairman Designate

Nationality
British

Appointment date
1 January 2015. Deputy Chairman from 1 April 2015 and Non-Executive Chairman from 7 May 2015

Committee membership
Nominations Committee Chairman, Finance

Skills and experience
Prior to joining GSK, Sir Philip chaired major FTSE 100 companies including J Sainsbury plc. He has also served as Group Finance Director at Lloyds TSB Group, BT Group plc, BG Group plc, British Gas and British Steel plc. Sir Philip was previously appointed an Executive Director of Lazards and a Non-Executive Director at RMC Group Plc and Belgacom SA. Until 2009, he was Chairman of UK Financial Investments Limited, which manages the UK Government's shareholdings in banks.

External appointments
Sir Philip is currently Chairman of The Royal Bank of Scotland Group plc. He is also the Senior Independent Director of Anglo American Plc, Chairman of its Remuneration Committee and member of its Audit Committee.

Sir Andrew Witty 50
Chief Executive Officer

Nationality
British

Appointment date
31 January 2008 and as Chief Executive Officer on 21 May 2008

Committee membership
Finance

Skills and experience
Sir Andrew joined GSK in 1985. He has worked in the UK, South Africa, the USA and Singapore in various senior roles. In 2003, he was appointed President of Europe and joined GSK's Corporate Executive Team. Sir Andrew served as the Lead Non-Executive Board member for the Department for Business, Innovation and Skills to December 2013. He was also President of the European Federation of Pharmaceutical Industries and Associations until July 2013.

External appointments
Sir Andrew is a member of the Prime Minister's Business Advisory Group. He is also appointed to the UK Business Ambassador Group and School of Economics & Management Advisory Board (SEM), Tsinghua University, Beijing, China. Sir Andrew is Chancellor of the University of Nottingham.

Simon Dingemans 51
Chief Financial Officer

Nationality
British

Appointment date
4 January 2011 and as Chief Financial Officer on 1 April 2011

Committee membership
Finance

Skills and experience
Prior to joining GSK, Simon has over 25 years of experience in investment banking at SG Warburg and Goldman Sachs. During this time, he advised a broad range of large corporates across a number of industry sectors, including pharmaceuticals and consumer healthcare. Simon advised GSK for over a decade before his appointment and was closely involved in a number of GSK's key strategic projects.

External appointments
Simon is Chairman of the 100 Group and a member of the Corporate Development Council for the National Theatre.

Dr Moncef Slaoui 55
Chairman, Global Vaccines

Nationality
Moroccan, Belgian & American

Appointment date
17 May 2006

Committee membership
Finance

Skills and experience
Moncef joined GSK Vaccines in 1988 where he engineered the development of a robust vaccines pipeline. He then led Worldwide Business Development for pharmaceutical products before his appointment to lead R&D in 2006. He was given overall responsibility for GSK's Oncology Business in 2010; for GSK Vaccines in 2011; and for all Global Franchises in 2012. Moncef has advised the US President's Council of Advisors on Science and Technology and he was a member of the Board of the Agency for Science, Technology & Research (A*STAR) until January 2011.

He has a PhD in Molecular Biology and Immunology from Université Libre de Bruxelles and has published more than 100 scientific papers and presentations. Prior to joining GSK, Moncef was Professor of Immunology at the University of Mons, Belgium.

External appointments
Moncef is a member of the PhRMA and the Biotechnology Industry Organization boards in the USA and a member of the Advisory Committee to the Director of National Institutes of Health. He is also an adviser to the Qatar Foundation, and a member of the Qatar Biomedical Research Institute Scientific Advisory Committee. Moncef serves as a Non-Executive Director for the International AIDS Vaccine Initiative (IAVI).

Sir Deryck Maughan 67
Senior Independent Non-Executive Director

Nationality
British

Appointment date
1 June 2004 and as Senior Independent Non-Executive Director on 1 May 2013

Committee membership
Audit & Risk, Nominations, Remuneration and Finance

Skills and experience
Sir Deryck has a wealth of international corporate and investment banking experience, having previously served as Chairman and Chief Executive Officer of Citigroup International and of Salomon Brothers Inc. He served as Vice Chairman of the New York Stock Exchange from 1996 to 2000. Sir Deryck was a former Senior Adviser to, and Partner of, Kohlberg Kravis Roberts & Co and previously served as a Non-Executive Director of Thomson Reuters.

External appointments
Sir Deryck is a Non-Executive Director of BlackRock Inc, Trustee of the British Museum and of New York University Langone Medical Center.

Professor Sir Roy Anderson 67
Independent Non-Executive Director & Scientific Expert

Nationality
British

Appointment date
1 October 2007

Committee membership
Nominations and Finance

Skills and experience
Professor Sir Roy is a world-renowned medical scientist with advanced knowledge of infectious disease epidemiology and is currently Professor of Infectious Disease in the Faculty of Medicine, Imperial College, London. He is a fellow of the Royal Society, the Academy of Medical Sciences and the Royal Statistical Society. He is an Honorary Fellow of the Institute of Actuaries and a Foreign Associate Member of the Institute of Medicine at the US National Academy of Sciences and the French Academy of Sciences. Professor Sir Roy brings scientific expertise to the Board's deliberations.

External appointments
Professor Sir Roy is a member of the International Advisory Board of Holdingham Group and he is a Trustee of the Natural History Museum, London. He is also a member of the Vaccine International Advisory Board (VACCIAB) of AJ Pharma Holding Sdn. Bhd in Malaysia.

Dr Stephanie Burns 60
Independent Non-Executive Director

Nationality
American

Appointment date
12 February 2007

Committee membership
Corporate Responsibility, Remuneration and Finance

Skills and experience
Stephanie is a recognised global business leader, having served as Chairman, President and CEO of Dow Corning Corporation until her retirement at the end of 2011. She has a strong scientific background, with a PhD in organic chemistry with an organosilicon specialty, and is an advocate for science education. Stephanie previously sat on the US President's Export Council and was an Officer of the Society of Chemical Industry, American Section, as well as the past Honorary President of the UK-based parent society. Stephanie was also an Officer and Chairman of the American Chemistry Council.

External appointments
Stephanie was appointed a Non-Executive Director of Corning Inc. in January 2012 and a Non-Executive Director of Kellogg Company, in February 2014.

Our Board
continued

Stacey Cartwright 51
Independent Non-Executive Director

Nationality
British

Appointment date
1 April 2011

Committee membership
Audit & Risk and Finance

Skills and experience
Stacey is a Chartered Accountant and has significant experience of global consumer businesses and of corporate finance. She served as Executive Vice President, Chief Financial Officer of Burberry Group plc until July 2013. Prior to joining Burberry Group plc in 2004, Stacey held the role of Chief Financial Officer at Egg plc between 1999 and 2003, and from 1988 to 1999 she worked in various finance-related positions at Granada Group plc.

The Board has determined that Stacey has recent and relevant financial experience, and agreed that she has the appropriate qualifications and background to be an audit committee financial expert.

External appointments
Stacey is Chief Executive Officer of Harvey Nichols Group of Companies.

Lynn Elsenhans 58
Independent Non-Executive Director

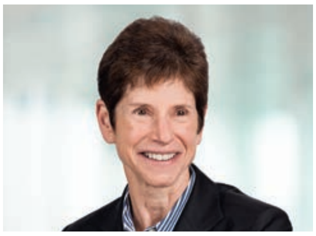
Nationality
American

Appointment date
1 July 2012

Committee membership
Audit & Risk, Corporate Responsibility, Nominations and Finance

Skills and experience
Lynn has a wealth of experience of running a global business and significant knowledge of the global markets in which GSK operates. She served as Chair, President and Chief Executive Officer of Sunoco Inc. from 2009 to 2012. Prior to joining Sunoco in 2008 as President and Chief Executive Officer, Lynn worked for Royal Dutch Shell which she joined in 1980 and where she held a number of senior roles, including Executive Vice President, Global Manufacturing from 2005 to 2008.

External appointments
Lynn is a Non-Executive Director of Baker Hughes Inc. and Flowserve Corporation, a Director of the Texas Medical Center, and a Non-Executive Director of The First Tee of Greater Houston. She is also a Trustee of the United Way of Greater Houston and a Trustee of Rice University.



Judy Lewent 66
Independent Non-Executive Director

Nationality
American

Appointment date
1 April 2011

Committee membership
Audit & Risk Committee Chairman, Nominations, Remuneration and Finance

Skills and experience
Judy has extensive knowledge of the global pharmaceutical industry and of corporate finance, having joined Merck & Co. in 1980 and then served as Chief Financial Officer from 1990 to 2007 when she retired. Judy was previously a Non-Executive Director of Purdue Pharma Inc, Napp Pharmaceutical Holdings Limited and certain Mundipharma International Limited companies until 31 December 2014. Judy previously served as a Non-Executive Director of Dell Inc. and Quaker Oats Company.

The Board has determined that Judy has recent and relevant financial experience, and agreed that she has the appropriate qualifications and background to be an audit committee financial expert.

External appointments
Judy is a Non-Executive Director of Thermo Fisher Scientific Inc. and Motorola Solutions Inc. She is also a Trustee of the Rockefeller Family Trust and Chairperson of the Audit Committee of Rockefeller Financial Services, a life member of the Massachusetts Institute of Technology Corporation and a member of the American Academy of Arts and Sciences.

Dr Daniel Podolsky 61
Independent Non-Executive Director & Scientific Expert

Nationality
American

Appointment date
1 July 2006

Committee membership
Audit & Risk, Corporate Responsibility and Finance

Skills and experience
Daniel is a world-renowned researcher who has advanced knowledge of underlying mechanisms of disease and new therapies for gastrointestinal disorders. He was formerly Mallinckrodt Professor of Medicine and Chief of Gastroenterology at Massachusetts General Hospital and Harvard Medical School, and previously served as the Chief Academic Officer of Partners Healthcare System. Daniel's current responsibilities in leading a large academic medical centre give him relevant insight into healthcare delivery. Daniel brings scientific expertise to the Board and the Audit & Risk Committee's deliberations.

External appointments
Daniel is President of the University of Texas Southwestern Medical Center and holds the Philip O'Bryan Montgomery, Jr., M.D. Distinguished Presidential Chair in Academic Administration, and the Doris and Bryan Wildenthal Distinguished Chair in Medical Science. He is a member of the Institute of Medicine of the US National Academy of Sciences, member of the Board of the Southwestern Medical Foundation and is a Director of Antibe Therapeutics, Inc.

He is also a member of the National Academies of Sciences Board on Army Science and Technology.

Urs Rohner 55
Independent Non-Executive Director

Nationality
Swiss

Appointment date
1 January 2015

Committee membership
Remuneration and Finance

Skills and experience
Urs has a broad range of business and legal experience having served as Chairman on a number of Boards, most recently for Credit Suisse, a world leading financial services company. Prior to joining Credit Suisse in 2004, Urs served as Chairman of the Executive Board and CEO of ProSieben and ProSiebenSat.1 Media AG. This followed a number of years in private practice at major law firms in Switzerland and the USA, having been admitted to the bars of the canton of Zurich in 1986 and the state of New York in 1990.

External appointments
Urs is currently appointed Chairman of the Board of Credit Suisse Group AG and of the Chairman's and Governance Committee. He is also appointed Chairman and member of the Board of Trustees of Credit Suisse Research Institute and Credit Suisse Foundation.

Tom de Swaan 68
Independent Non-Executive Director

Nationality
Dutch

Appointment date
1 January 2006

Committee membership
Remuneration Committee Chairman, Audit & Risk, Nominations and Finance

Skills and experience
Tom has had a long and distinguished career in the European banking industry, having been a member of the Managing Board and Chief Financial Officer of ABN AMRO. Tom has held various executive positions at the Dutch Central Bank and was a Non-Executive Director of the Financial Services Authority (now the Financial Conduct Authority) from 2001 to 2007. He was previously a Non-Executive Director of KPMG's Public Interest Committee and was also Vice Chairman of the Supervisory Board and Chairman of the Audit Committee of Royal Ahold.

The Board has determined that Tom has recent and relevant financial experience, and agreed that he has the appropriate qualifications and background to be an audit committee financial expert.

External appointments
Tom is Chairman of the Supervisory Board of Van Lanschot Bankiers and Chairman of the Board of Directors of Zurich Insurance Group. He is also a member of the Supervisory Board of Royal DSM, and a Senior Adviser to Ondra Partners.

Jing Ulrich 47
Independent Non-Executive Director

Nationality
American

Appointment date
1 July 2012

Committee membership
Audit & Risk and Finance

Skills and experience
Jing is Managing Director and Vice Chairman of Asia Pacific at JPMorgan Chase. She advises the firm's most senior global clients across all asset classes, while building relationships with executives at Asia's leading enterprises. Jing is one of the most prominent advisers to large global asset management companies, sovereign wealth funds, and multinational corporations. She works with all lines of business at JPMorgan Chase to foster greater cross-border collaboration and strengthen senior client relationships in Asia Pacific and the rest of the world.

Jing was Managing Director and Chair of Global Markets, China at JPMorgan between 2005 and 2013. From 2003 to 2005, Jing worked for Deutsche Bank as Managing Director, Head of Greater China Equities. She previously held financial positions, specialising in the Asia Pacific region, with CLSA Asia Pacific Markets and the Emerging Markets Investors Corporation. She was educated at Harvard and Stanford Universities.

External appointments
Jing is currently an Independent Director of Ermenegildo Zegna SpA and a member of Bocconi University's International Advisory Council.

Hans Wijers 64
Independent Non-Executive Director

Nationality
Dutch

Appointment date
1 April 2013

Committee membership
Corporate Responsibility, Remuneration and Finance

Skills and experience
Hans has a broad range of business, economic and political experience, having served as Chief Executive Officer and Chairman at Akzo Nobel NV from 2002 to 2012. Hans had a long and distinguished career in academia, public service and strategy consulting. He served as Senior Partner of the Boston Consulting Group from 1998 to 2002.

External appointments
Hans is Chairman of the Supervisory Board of Heineken NV and also Deputy Chairman and Non-Executive Director of Royal Dutch Shell. He is Chairman of the Supervisory Board of AFC Ajax and member of the Supervisory Board of HAL Holding N.V.

Our Corporate Executive Team

Sir Andrew Witty
Chief Executive Officer

See 'Our Board' on page 72.

Deirdre Connelly
President, North America Pharmaceuticals

Deirdre joined GSK and the CET as President, North America Pharmaceuticals in February 2009 after working at Eli Lilly and Company for 24 years. She held a variety of positions there including President of US Operations, Senior Vice President of Global Commercialisations for Woman's Health and Senior Vice President of Human Resources.

Deirdre holds a Bachelor's degree in Marketing and Economics from Lycoming College in Pennsylvania and graduated from Harvard University's Advanced Management Program in 1999.

She serves as a Director on the PhRMA Board, the Board of Macy's Inc. and the Harvard University Public Health Policy Council. Deirdre is a native of San Juan, Puerto Rico.

Deidre announced her retirement from GSK and stepped down from CET in February 2015.

Roger Connor
President, Global Manufacturing & Supply

Roger joined CET in 2012 and was appointed as President, Global Manufacturing & Supply (GMS) in 2013, after working for a year as President Designate, GMS.

Roger joined GSK in 1998 from AstraZeneca and has worked in finance and manufacturing strategy roles, including at GSK sites in Cork in Ireland and Ware in the UK. Prior to his position in GMS, Roger was Vice President, Office of the CEO and Corporate Strategy, from February 2010.

He holds a degree in Mechanical and Manufacturing Engineering from Queen's University Belfast and a Masters in Manufacturing Leadership from Cambridge University. He is also a Chartered Accountant.

Simon Dingemans
Chief Financial Officer

See 'Our Board' on page 72.

Nick Hirons
Senior Vice President, Global Ethics and Compliance

Nick was appointed to CET in September 2014 as Senior Vice President, Global Ethics and Compliance and is responsible for compliance, risk management and corporate security and investigations.

Nick joined GSK in 1994 as an International Auditor in the UK. He was later Head of Audit & Assurance, where he combined five separate audit functions into an independent team operating with a common risk-based methodology. In June 2013, Nick took up a role in China, where he established a new governance model for our China business that created a consistent approach to compliance.

Nick is a fellow of the Chartered Institute of Management Accountants.

Abbas Hussain
President, Global Pharmaceuticals

Abbas joined CET in 2008 and was appointed President, Global Pharmaceuticals in October 2014, having joined the company as President, Emerging Markets & Asia Pacific in June 2008. He joined the ViiV Healthcare Ltd. Board in October 2009 and the Aspen Board in December 2009.

Previously, he spent 20 years at Eli Lilly where he held positions including President, Europe and before that Vice President, Europe. He also held positions with Eli Lilly in Australia, the USA, India, Turkey and Germany in several roles including business development, sales and marketing, and management.

He has a degree in Medicinal Chemistry & Pharmacology from Loughborough University and was born in Madras, India.

Bill Louv
Senior Vice President, Core Business Services

Bill joined CET in 2007 and was appointed in April 2010 to create and lead Core Business Services (CBS), which integrates the shared services of the global support functions.

He joined the company in 1994 as Vice President of Medical Data Sciences, and has held increasingly senior roles in R&D and IT.

Prior to joining GSK, Bill was with Marion Merrell Dow and earlier was an associate professor at the University of Alabama Medical Center.

Bill has a Bachelor of Science degree in Biology from the College of William and Mary, and Master of Science and Doctor of Philosophy degrees in Statistics from the University of Florida. He joined the Board of River Logic, Inc. in February 2015.

David Redfern
Chief Strategy Officer

David joined CET as Chief Strategy Officer in May 2008 and is responsible for corporate development and strategic planning. In addition to his current role, he was made Chairman of the Board of ViiV Healthcare Ltd. in April 2011.

Previously, he was Senior Vice President, Northern Europe with responsibility for managing GSK's pharmaceutical businesses in that region and, prior to that, was Senior Vice President for Central and Eastern Europe. David joined GSK in 1994 and was Finance Director of the European business from 1999 to 2002.

David has a Bachelor of Science degree from Bristol University in the UK and is a Chartered Accountant.

On February 1 2015 David was appointed as non-executive director of Aspen Pharmacare Holdings Ltd, the South Africa based global generics company in which GSK holds a minority equity stake.

Dr Moncef Slaoui

Chairman, Global Vaccines

See 'Our Board' on page 73.

Claire Thomas

Senior Vice President, Human Resources

Claire was appointed to CET as Senior Vice President, Human Resources in May 2008.

Claire joined the company in 1996 as Senior Manager, Human Resources, Sales and Marketing Group, UK Pharmaceuticals before becoming Director of Human Resources for UK Pharmaceuticals in 1997. She was appointed Senior Vice President, Human Resources, Pharmaceuticals Europe in 2001, and Senior Vice President Human Resources International in 2006.

Prior to joining the company she worked for Ford Motor Company, holding various positions in Human Resources.

Claire has a Bachelor of Science degree in Economics, Management and Industrial Relations from the University of Wales.

Phil Thomson

Senior Vice President, Communications and Government Affairs

Phil joined CET in 2011 and was appointed Senior Vice President, Communications and Government Affairs in 2014. He has responsibility for Media Relations, Investor Relations, Corporate Responsibility, Internal Communications, Product Communications and Government Affairs.

He joined Glaxo Wellcome as a trainee in 1996, moving from pharmaceutical brand marketing to product communications. In 1999, he became Director of Media Relations for Glaxo Wellcome plc and was then Director, Investor Relations from 2001 to 2004, when he returned to Corporate Media Relations as Vice President. Phil has worked on numerous corporate, product and reputational matters at GSK.

Phil earned his degree in English and History from Durham University.

Dan Troy

Senior Vice President & General Counsel

Dan joined GSK and the CET as Senior Vice President & General Counsel in September 2008.

He was previously a Partner at the Washington law firm Sidley Austin LLP, where he represented mainly pharmaceutical companies and trade associations on matters related to the US Food and Drug Administration (FDA) and government regulations. Dan was formerly Chief Counsel for the FDA, where he served as a primary liaison to the White House and the US Department of Health and Human Services.

Dan is a graduate from Cornell University's School of Industrial and Labor Relations, and earned his law degree from Columbia University School of Law. Dan was named a 'Legend in the Law' at the Burton Awards.

Patrick Vallance

President, Pharmaceuticals R&D

Patrick joined CET in 2010 and was appointed President, Pharmaceuticals R&D, in January 2012. Prior to this he was Senior Vice President, Medicines Discovery and Development.

Patrick joined the company in 2006 as Head of Drug Discovery. He has focused the organisation on science that has the best chance of leading to new medicines, and created small, multidisciplinary teams called Discovery Performance Units. He is transforming GSK's approach to late stage clinical trial design and execution.

Before joining GSK Patrick was a clinical academic at University College London. He is a director of Genome Research Limited.

Emma Walmsley

President, Consumer Healthcare

Emma joined GSK in May 2010, and was appointed to CET as President of the Consumer Healthcare business in October 2011. Under Emma's leadership the business has a new strategy to become the leading Fast Moving Consumer Healthcare company.

On 22 April 2014, GSK announced an inter-conditional deal with Novartis, which includes a proposal to create a joint venture for both companies' consumer healthcare businesses. If this provisional deal is completed, Emma would be CEO of the joint venture and a member of its Board.

Prior to joining GSK, Emma worked with L'Oreal for 17 years. She has a degree in Classics and Modern Languages from Oxford University.

Corporate governance
Letter to shareholders

Dear Shareholder

As Chairman of the Board, I am committed to GSK seeking to operate to the highest standards of corporate governance. We believe that it is our governance structure that underpins our ability to deliver our strategy to grow a diversified business, deliver more products of value and simplify our operating model, and in doing so create additional long-term value for our shareholders.

No less important for myself and the Board is the need to firmly embed values-based conduct and behaviour of our employees into our governance structure. We want to ensure that everything that we as a Board and our employees do is guided by our commitment to our values and to being in compliance with the local laws and regulations within which we operate. The foundations of these commitments are laid out in our Code of Conduct, which we strengthened and re-issued in January 2014, and which is available in the governance area of our website. It draws together a number of key company policy principles and provides a working guide for the way in which we apply our values across our global operations.

I highlight below key corporate governance priorities that the Board has addressed during 2014.

Board evaluation

An independent external evaluation was undertaken of the Board and our Committees and I am pleased to report that the results of Dr Tracy Long's review were positive, confirming that the Board was operating well and was effective in dealing with the various challenges it faces. This is a time of significant transition for the company and the Board and two key priorities for the Board are to:

- close our proposed three-part transaction with Novartis, which is on track to complete in the week commencing 2 March 2015, and integrate Novartis' Vaccines and Consumer Healthcare businesses into our existing governance arrangements; and
- manage an orderly refreshment of the Board as a result of a number of planned retirements from the Board over the next two to three years and address several identified additional skills and experience gaps.

Sir Philip Hampton, our Chairman Designate, has succeeded me as Nominations Committee Chairman so that he can immediately focus on tailoring the refreshment of the Board to the requirements of the future reshaped Group, which he will lead through the next chapter in its development, and the evolving external landscape. I continue to serve on the Committee to provide continuity and support to Sir Philip. Further details of Dr Long's key findings and the action points that the Board has agreed to address are set out on page 81.

Annual investor meetings

At these sessions, which were held in November, I was pleased to discuss our corporate governance practices with our largest shareholders, while Tom de Swaan, our Remuneration Committee Chairman, covered our executive remuneration arrangements. In addition, Judy Lewent, who chairs our Audit & Risk Committee, provided an overview of the work of the Committee and Sir Deryck Maughan, our Senior Independent Director, provided his insights into the Board's culture and dynamics. Listening to the views of our shareholders and receiving their feedback at these sessions that are held in the run up to the corporate reporting season, helps us to shape key areas of our Governance & Remuneration disclosures.

UK Corporate Governance Code

We have reviewed our responsibilities and reporting requirements against the new standards included in the Financial Reporting Council's updated UK Corporate Governance Code published in September 2014, which are effective for our 2015 financial year. The principal changes relate to going concern, "viability statements" and other internal control and risk management areas and to bring the Code up-to-date with new remuneration reporting practices. Our review indicated that we are in a strong position to comply fully with these new standards and the Board will report formally in next year's Annual Report on their implementation.

Appointment of Chairman Designate

I welcome the appointment of Sir Philip Hampton as my designated successor. He joined the Board on 1 January 2015 and will become Deputy Chairman from 1 April 2015. Sir Philip is due to succeed me on 7 May 2015, from the end of our AGM. He has been undergoing a thorough and wide-ranging induction process, which has been tailored to his role and background, and which is detailed on page 81. This has provided him with a firm basis to make a valuable early contribution to our Board deliberations and to be fully conversant with our businesses and the environment in which we operate before he becomes Chairman. In the meantime, I am working very closely with Sir Philip, with the support of Sir Deryck Maughan, our Senior Independent Director, during this handover period to ensure a smooth and seamless transition.

China investigations and ABAC

The Chinese authorities reached a conclusion in the investigations of our Chinese business in September 2014, but this has been a deeply disappointing matter for GSK. We cooperated fully with the authorities and took steps to comprehensively rectify the issues identified at our operations in China. The Audit & Risk Committee, which each Board member attends, was fully appraised of developments and continues to closely monitor the Group's ABAC activities. Further details are set out by Judy Lewent on page 86.

Audit tendering

We have regularly reviewed developments at a UK and EU level to reform the audit market, particularly in relation to regulations governing audit contract tendering and audit firm rotation. We have also taken into consideration the views of our shareholders. As part of its overall assessment of the auditors' performance our Audit & Risk Committee reviewed the implications of tendering the external audit contract. Details of its conclusions are set out on page 90. The Committee does not intend to initiate a tender exercise during 2015 due to the significant level of change the company is experiencing. It expects, however, to initiate preparations for a tender process during the second half of 2016, in order that a new auditor could take on the audit from 2018.

The following pages outline our approach to governance and how these practices underpin the delivery of our strategy. The structure of the Corporate Governance report has been maintained, so that those statutory and risk disclosures that previously appeared in the report can continue to be referred to in the Shareholder Information section on pages 242 to 248 and the Risk Management section on pages 16 to 17 respectively.

I commend this report to all of our shareholders.

Sir Christopher Gent
Chairman
26 February 2015

Corporate governance framework

The Board has a coherent corporate governance framework with clearly defined responsibilities and accountabilities designed to safeguard and enhance long-term shareholder value and provide a robust platform to realise the Group's strategy to Grow, Deliver and Simplify. Our internal control and risk management arrangements, which are described on pages 84 to 85, and 16 to 17, are an integral part of GSK's governance framework.

Board Committees

In order for the Board to operate effectively and to give full consideration to key matters, Board Committees have been established by the Board. A summary of the role of each Board Committee is set out in the table below. The full terms of reference of each Committee are available on our website and reports on the membership of, and work undertaken by, the Audit & Risk, Remuneration, Nominations and Corporate Responsibility Committees during 2014 are given on pages 86 to 95 and 108 to 109.

Board

1 Chairman

3 Executive Directors

12 Independent Non-Executive Directors

Chief Executive Officer

Corporate Executive Team

Audit & Risk Committee	Remuneration Committee	Nominations Committee	Corporate Responsibility Committee	Finance Committee	Corporate Administration & Transactions Committee
Reviews and responsible for: Financial and internal reporting processes, integrity of the financial statements, system of internal controls, identification and management of risks and external and internal audit processes Initiating audit tenders, the selection and appointment of external auditors, their remuneration and oversight of their work	**Reviews and recommends to the Board:** The overall executive remuneration policy The appropriate fees for the Chairman **Determines:** Terms of service and remuneration of Executive Directors and other members of the CET **Reviews and approves:** The Remuneration report	**Reviews and recommends to the Board:** The structure, size and composition of the Board and the appointment of Directors, Committee members and CET members Succession to the Board and the CET	**Reviews:** External issues that have the potential for serious impact upon GSK's business Reputation management Annual governance oversight of GSK's responsible business commitments	**Reviews and approves:** Annual Report and Form 20-F, convening of the AGM and the quarterly results announcements Certain major licensing and capital transactions and changes to the Group's Investment Instrument and Counterparty Limits	**Reviews and approves:** Matters in connection with the administration of the Group's business and certain corporate transactions

Corporate governance
continued

Board report to shareholders – Oversight and stewardship in 2014 and future actions

The Board

The Board is pleased to report that in 2014 it was in full compliance with the requirements of the UK Corporate Governance Code. See page 87 with respect to our position on audit tendering.

The Board is responsible for the long-term success of the company, corporate governance, strategy, risk management and financial performance. It is accountable to shareholders for ensuring that the Group is appropriately managed and governed, and delivers GSK's strategy to Grow, Deliver and Simplify.

2014 Board programme

The Board met six times in 2014 and each Board member attended all scheduled Board meetings.

The Board agendas were shaped to create more time for strategic discussion and debate by closely managing time allocated to routine items to ensure focused consideration of our strategic priorities. During 2014, the agendas for Board meetings included the following business:

Month	Strategy	Board and risk oversight*	Governance
January	▪ Approval of 2014-16 plan	▪ Review of 2013 financial results and outlook for 2014 ▪ Re-appointment of auditors	▪ Review of internal 2013 Board evaluation report ▪ Secretary's Report (including regulatory and governance updates)
March	▪ Review of GMS performance and strategy update ▪ 'Deep Dive' – pipeline launches		▪ Secretary's Report (including regulatory and governance updates)
May	▪ 'Deep Dive' – India ▪ Patent protection	▪ Review of financial results for the year to date	▪ Preparation for AGM ▪ Secretary's Report (including regulatory and governance updates)
July	▪ Credit profile and distribution policy ▪ Review of Funding strategy and Treasury policy ▪ Review of Pensions strategy ▪ Review of Insurance strategy	▪ Annual EMAP and Vaccines business reviews ▪ R&D annual update ▪ North American Pharmaceuticals annual update	▪ Secretary's Report (including regulatory and governance updates)
October	▪ Review of output from the annual Board & CET strategy meeting ▪ Review of Talent and Leadership Development strategy		▪ Three-part Novartis transaction shareholder approval process ▪ Secretary's Report (including regulatory and governance updates)
December	▪ Review of 2015-17 plan	▪ Europe annual update	▪ Review of external 2014 Board evaluation ▪ Secretary's Report (including regulatory and governance updates)

* During the year, all Board members were invited to attend the Audit & Risk Committee meetings where risk matters were routinely discussed.

2014 Board performance

During 2013, the Board identified certain actions to assist in adding further value to its deliberations. The performance of the Board in 2014 against these actions is set out below:

Actions	Progress/Achievement
(i) **Strategy** The Board would look to take a longer term view (ten years) of the key strategic issues facing the company.	The proposed transformational three-part Novartis transaction and exploring an IPO of a minority interest in ViiV Healthcare to enhance future strategic flexibility in the reshaped Group demonstrate the Board's longer term strategic positioning of GSK.
(ii) **Board meetings** Time spent on routine matters would be further managed to enable strategic/business discussions to take priority, while ensuring the critical areas of oversight were maintained.	Consideration of the regular annual business unit updates by the Board was adjusted to focus principally on strategic issues, while the assurance and risk management aspects of these updates were considered at the Audit & Risk Committee meetings which were attended by the full Board.
(iii) **Annual Board/CET meetings** The structure and format of these sessions would be reviewed to ensure that they are appropriately geared to realising maximum value in terms of strategic insights and direction setting.	The format of these sessions was refined and simplified. Presentations were shortened and are now made by the CET member responsible for the proposed shape and direction of the strategic issue under consideration. This increased the time to challenge and develop strategy in greater depth and enhanced personal accountability for proposed direction setting.
(iv) **China review** All appropriate actions would be reviewed by the Board and implemented as necessary on the conclusion of the external investigation and the Ropes and Gray independent review.	The Board remains committed to reviewing and implementing as appropriate the recommended actions from Ropes and Gray's independent review. The actions already undertaken in China are set out on page 86.

These actions are set out in full on page 84 of GSK's 2013 Annual Report, which discusses the internally facilitated evaluation of the Board's activities by the Senior Independent Director.

Board report to shareholders – Oversight and stewardship in 2014 and future actions *continued*

2014 & 2015 AGMs – Key highlights at a glance

2014 AGM – held on 7 May 2014 at QEII Conference Centre, London	2015 AGM – to be held on 7 May 2015 at QEII Conference Centre, London
▪ Full Director attendance ▪ 3.2 to 3.59 billion votes cast for each resolution (74% of issued share capital) ▪ Sir Robert Wilson stood down after ten years of service ▪ All other Directors retired and were re-elected to the Board, receiving at least 91.5% of the votes cast in favour ▪ **Highest votes in favour**: 99.9% to re-elect a number of Directors ▪ **Lowest votes in favour**: 89.4% to reduce the required notice for a general meeting	▪ Sir Christopher Gent, Tom de Swaan and Jing Ulrich will stand down from the Board after ten, nine and three years of service respectively ▪ Sir Philip Hampton and Urs Rohner will stand for election to the Board ▪ All other Directors will stand for re-election to the Board ▪ The Board believes that each Director is effective and demonstrates commitment to his or her role ▪ Each Director has been formally evaluated by the Chairman before standing for re-election

Chairman designate induction programme – Sir Philip Hampton

Sir Philip's induction programme has been designed and arranged by the Chairman in consultation with the Company Secretary and the CEO. It is based on the principles used in the company's new Non-Executive Director induction programme, but has been further customised to take into account Sir Philip's designated leadership role at GSK. It seeks to build a clear and comprehensive view of the industry and GSK's strategy and positioning. The induction programme is being rolled out in phases which are set out below.

Area of understanding	Induction content
The pharmaceutical industry	Briefing on the industry from an external consultant and investors' perspectives.
Our businesses	Teach-in sessions with the Heads of Global Pharmaceuticals, Consumer Healthcare and Vaccines.
Our operating model	Teach-in sessions with the Heads of R&D and GMS.
Our Corporate operations	One-to-one meetings with the: ▪ CFO and Heads of HR, Remuneration, Corporate Strategy, Communications and Government Affairs, Legal, Global Ethics and Compliance and Core Business Services, and ▪ senior executives responsible for Tax, Treasury, Pensions, IR, Media, Government Affairs, Audit & Assurance and Security.
Shareholders and other external stakeholders and advisers	A programme of meetings is arranged.

His induction is underpinned by a thorough grounding in our corporate governance arrangements. This includes meetings with each Board Director, reviewing current and past Board evaluations and attending all meetings of Committees of which he is not a member, so that he can assess and understand our corporate governance framework, Boardroom culture and dynamics. In addition, his induction activities are being supplemented by an extensive programme of visits to our principal R&D, GMS and Vaccines sites and meeting each of our external advisers.

Board performance action points for 2015

The main findings and agreed action points arising from the 2014 Board evaluation review, externally facilitated by Dr Tracy Long of Boardroom Review Limited, against which progress will be disclosed in GSK's 2015 Annual Report, are set out below:

Key findings	Agreed action points
The composition of the Board is due to change over the next two to three years which will require a carefully planned and thoughtfully executed refreshment programme.	The Chairman Designate, together with the Nominations Committee, will seek to enhance the governance processes relating to Board composition, tenure and size. They will review and seek to develop objective specifications and plans for all the Board's roles in alignment with our strategy, the external landscape, and the company's evolving circumstances.
The Directors have identified gaps in the Board's current composition relating to US pricing and healthcare, emerging markets and consumer healthcare knowledge.	Closing these knowledge and experience gaps will be considered as part of the process of recruitment of new Non-Executive Directors combined with the refreshment of designated specialist roles on the Board, such as medical and scientific expertise and the Senior Independent Director (SID).
Given the speed and complexity of the external landscape changes, and potential for surprises, highly experienced Non-Executive Directors are a crucial component of the Board's composition.	The critical skill sets of potential candidates, such as international markets and cultural experience, crisis and stakeholder management, will be considered and the composition choices of peer group Boards will be benchmarked.
The replacement of the current SID who is due to retire at the 2016 AGM is a priority issue.	The Chairman Designate is leading the search involving internal and external candidates for this role. A SID specification is being developed that balances the replacement of existing knowledge with the ability to work well with the Chairman Designate, conduct robust Board evaluations, interact well with shareholders and be able to commit the necessary time to the role.
Consideration should be given to reducing the size of the Board, if it is judged to have a strong enough composition and dynamic.	This aspiration will be considered against a refreshed Board competence/skills matrix that is being used as part of the Board refreshment programme, and is linked to the company's strategy.
Consideration should be given to enhancing the Non-Executive Director evaluation process.	The Chairman Designate will lead this process and consider best practice techniques, such as a combination of annual individual and peer evaluations.

Corporate governance
continued

Strategic report
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Leadership and effectiveness

The Board

The Board met six times in 2014, with each member attending as follows:

	Number of meetings held whilst a Board member	Number of meetings attended
Sir Christopher Gent	6	6/6
Sir Andrew Witty	6	6/6
Simon Dingemans	6	6/6
Dr Moncef Slaoui	6	6/6
Professor Sir Roy Anderson	6	6/6
Dr Stephanie Burns	6	6/6
Stacey Cartwright	6	6/6
Lynn Elsenhans	6	6/6
Judy Lewent	6	6/6
Sir Deryck Maughan	6	6/6
Dr Daniel Podolsky	6	6/6
Tom de Swaan	6	6/6
Jing Ulrich	6	6/6
Hans Wijers	6	6/6
Sir Robert Wilson*	3	3/3

In addition to the scheduled meetings, the Board also met on a quorate basis on 13 occasions to consider corporate transactions, including the three-part Novartis transaction, and China-related developments and to approve the appointments of Sir Philip Hampton and Urs Rohner to the Board.

Sir Philip Hampton and Urs Rohner were both appointed as Non-Executive Directors with effect from 1 January 2015.

* Sir Robert Wilson retired from the Board on 7 May 2014.

The Chairman

The role of the Chairman is to lead and manage the business of the Board and to provide direction and focus, while ensuring that there is a clear structure for the effective operation of the Board and its Committees. He sets the agenda for Board discussions to promote effective and constructive debate and to support a sound decision-making process, ensuring that the Board receives accurate, timely and clear information, in particular about the company's performance.

The Chairman works closely with the Chief Executive Officer, Sir Andrew Witty, to ensure that the strategies and actions agreed by the Board are effectively implemented. He also provides support and advice to Sir Andrew, while respecting his executive responsibility for managing the Group. The division of responsibilities between the Chairman and the CEO has been agreed by the Board and is set out in the governance section of our website.

The Chairman is responsible to shareholders for the performance of the Group and leads discussions and the development of relations with them.

Sir Philip Hampton, who joined the Board on 1 January 2015, will become Deputy Chairman on 1 April 2015, and will succeed Sir Christopher Gent as Chairman with effect from the end of our AGM on 7 May 2015.

Non-Executive Directors

The Non-Executive Directors provide a strong, independent element on the Board. They are well placed to constructively challenge and support management and to shape proposals on strategy and succession planning. Between them, they bring independent judgement and a breadth of skills and experience gained at the most senior levels of international business operations and academia.

Senior Independent Director

Sir Deryck Maughan has been our Senior Independent Director (SID) since 1 May 2013. Sir Deryck's role is to act as a sounding board for the Chairman and a trusted intermediary for the other Directors. He is also available as an additional point of contact for shareholders. His responsibilities include the evaluation of the performance of the Chairman and, at the request of the Chairman, evaluating the Board and its Committees (in collaboration with the Committee Chairmen) in years when the evaluation is conducted internally. The SID also works on the process for the selection of a new Chairman as appropriate, and he chairs the Nominations Committee when agreeing the recommendation to the Board for the Chairman's successor. Further details of the SID's role in the process undertaken to select Sir Philip to replace Sir Christopher as Chairman are available on page 92.

Sir Deryck maintains an understanding of the issues and concerns of our major shareholders through meetings with them and reports from our Investor Relations team and briefings from the Company Secretary on corporate governance issues.

CEO

Sir Andrew is responsible for the management of the business, developing the Group's strategic direction for consideration and approval by the Board and implementing the agreed strategy. He is assisted by other members of the Corporate Executive Team (CET), which meets at least 11 times a year and more often if required.

Short biographies of the members of the CET are given under 'Our Corporate Executive Team' on pages 76 and 77.

Company Secretary

The Company Secretary, Victoria Whyte, is a solicitor and a Fellow of the Institute of Chartered Secretaries and Administrators. Victoria was formerly Deputy Secretary and Secretary to the Remuneration Committee. She has acted as Secretary to the Board and all the Board's Committees since her appointment as Company Secretary on 1 January 2011.

Victoria supports the Chairman in designing the induction for new Directors, in the delivery of our corporate governance agenda, in particular in the planning of agendas for the annual cycle of Board and Committee meetings, and in ensuring that information is made available to Board members on a timely basis. Victoria advises the Directors on Board procedures and corporate governance matters, and arranges for the Non-Executive Directors to meet with investors to discuss aspects of our corporate governance arrangements on request. She also arranges for them to attend internal management meetings and to make visits to our business operations to enhance their knowledge and understanding of the business.

During 2014, the Company Secretary responded to various consultations on the evolving global governance and corporate reporting agenda on behalf of the Group and engaged with shareholders to ensure they fully understood GSK's governance and remuneration arrangements.

Independence

The Board considers all of its Non-Executive Directors to be independent in character and judgement and free from any business or other relationship which could materially interfere with the exercise of their judgement. Both Sir Christopher Gent and Sir Philip Hampton satisfied the independence test on their respective appointments to the Board.

The independence of those Non-Executive Directors who have served on the Board for over six years was subjected to a rigorous review.

In particular, the Board considered that Sir Deryck Maughan, who has served on the Board for over nine years, continued to demonstrate the characteristics of independence, such as challenging management and taking part in rigorous debate, whilst possessing outstanding knowledge of the company's business affairs.

Board composition and diversity

We seek to build an effective and complementary Board, whose capability is appropriate for the scale, complexity and strategic positioning of our business. The process for Board appointments is led by the Nominations Committee and is described on pages 92 to 93.

We are mindful of the need to balance the composition of the Board and its Committees and to refresh them progressively over time so that we can draw upon the experience of longer serving Directors, while tapping into the new external perspectives and insights which more recent appointees bring to the Board's deliberations.

Non-Executive Directors are drawn from a wide range of industries and backgrounds, including pharmaceutical and healthcare, medical research and academia, and retail, insurance and financial services, and have appropriate experience of complex organisations with global reach. Some have considerable experience of the pharmaceutical industry and the more recent appointees bring a new approach to the Group, and to Board discussions.

The Board's diversity policy is set out on page 93 and for details of the gender diversity of GSK's global workforce, see page 45 under Responsible business.

Board induction, business awareness and training

The Company Secretary assists the Chairman in designing and facilitating a tailored induction programme for new Directors and their ongoing training. The Chairman Designate induction programme that was devised for Sir Philip Hampton and commenced when he joined the Board is presented on page 81.

The induction programme for Non-Executive Directors typically includes meetings with members of the CET and other senior executives to explain the company's business, the commercial and regulatory environment in which we operate and an investor's perspective, as well as guidance on the duties and obligations of a Director of a listed company. Visits to our business operations are also a feature of the induction programme.

To ensure that our Non-Executive Directors develop and maintain a greater insight and understanding of the business, they are invited to attend internal management meetings, including meetings of the CET, the Research & Development Executive, the Product Executive, the Scientific Review Board, the Portfolio Investment Board, the Commercial Accountability Board and the Risk Oversight and Compliance Council. They also meet employees informally during visits to the Group's operations and at receptions held around Board meetings.

The Chairman also meets with each Director annually on a one-to-one basis to discuss his or her ongoing training and development requirements.

The Board is kept up-to-date on legal, regulatory and governance matters through regular papers from the Company Secretary and presentations by internal and external advisers.

During the year, the Board was briefed on various regulatory and corporate governance developments. This principally included the anticipated impact of the new UK and EU rules on auditing market reform and the Financial Reporting Council's consultation on, and subsequent publication of, an updated UK Corporate Governance Code and associated guidance covering remuneration, going concern, internal control and risk management.

The Board members undertook specific refresher training on, and under the provisions of, the Corporate Integrity Agreement (CIA) in 2014. Each new Board member is required, as part of his or her induction programme, to receive comprehensive training on the CIA. Sir Philip Hampton and Urs Rohner have each taken part in such a training session in January 2015 as part of their induction programmes.

Time allocation

Each Non-Executive Director has a letter of appointment which sets out the terms and conditions of his or her directorship.

The Chairman and our Non-Executive Directors are expected to devote such time as is necessary for the proper performance of their duties. No precise timings are given as this will vary from year to year depending on the company's activities. Directors are expected to attend all Board meetings, and any additional meetings as required.

They are also expected to attend meetings of the Committees of which they are members, the Audit & Risk Committee meetings (which are open to all Directors in furtherance of their risk and compliance responsibilities) and strategy sessions, and to make visits to our operational sites.

2014 External evaluation of the Board

The Board carries out an evaluation of its performance and that of its Committees every year and the evaluation is facilitated externally every third year. The 2014 evaluation was carried out by an independent external facilitator, Dr Tracy Long of Boardroom Review Limited, who has no other connection with the company.

The in-depth process involved Dr Long:

- conducting individual interviews with each of the current Directors (with the exception of Sir Philip Hampton and Urs Rohner who joined the Board on 1 January 2015), the Company Secretary and other key senior executives who regularly attend Board and Committee meetings;
- reviewing past papers and minutes;
- attending the Board and Committee meetings in September and October, which included the annual Board and CET strategy session; and
- compiling the output from the external evaluation into a report that contained her findings and recommendations.

She also held:

- individual feedback sessions with each Director;
- a session led by the SID with the Non-Executive Directors and the CEO without the Chairman present;
- a session with the Chairman only; and
- finally, a collective feedback session with the entire Board, during which her areas of principal focus and recommended action points were discussed in detail before they were formally considered and agreed by the Board at its December meeting.

Dr Long's report focused principally on the culture and environment of the Boardroom, together with the composition and tenure of the Board and succession planning arrangements.

The overall view of the Board's performance was positive and confirmed that the Board was effective at dealing with the challenges it faced. The quality of decision making and contribution of Board members was influenced by:

- the open culture and strong support for the Board's senior roles;
- a thoughtful and disciplined approach to the use and management of time, and
- improving risk, control and remuneration oversight.

Dr Long's report had noted that there was good engagement on issues and management interacted well with the Board and its Committees, responding positively to constructive challenge and enquiry. This was an aspect of Board dynamics that was considered to be outstanding compared to other Boards.

Corporate governance *continued*

However, Dr Long's report stressed that it was a time of significant transition for the company and the Board. The context within which the Board operated was changing and the Board's modus operandi would need to evolve with it. Future challenges included the Board's ability to:

- anticipate changes to the external landscape;
- manage the transition from Sir Christopher to Sir Philip; and
- refresh the composition of the Board, including some of the most senior roles on the Board.

The agreed action points from Dr Long's report focused mainly on addressing these challenges and they are disclosed on page 81.

Chairman and Non-Executive Director evaluation

The Non-Executive Directors, led by Sir Deryck, met separately, without Sir Christopher being present, to discuss his performance. They considered his leadership, performance and overall contribution to be of a high standard and he continues to have their full support.

The Chairman met with each Non-Executive Director to discuss individual contributions and performance, together with training and development needs.

In addition, the Chairman met with all the Non-Executive Directors independently of the Executive Directors.

Relations with shareholders

We work to engage effectively with shareholders through our regular communications, the AGM and other investor relations activities.

We announce our financial results on a quarterly basis. The annual results are included in our Annual Report. All shareholders receive an Annual Summary which advises them that our Annual Report and Notice of our Annual General Meeting are available on our website.

During the year, Sir Andrew Witty and Simon Dingemans gave presentations to institutional investors, analysts and the media on the full year results, which are also available via webcast and teleconference. After the first, second and third quarter results, we hold webcast teleconferences for the same audience. Our results are available on our website.

Our Investor Relations department, with offices in London and Philadelphia, acts as a focal point for communications with investors. The CEO, CFO and the Chairman maintain a continuous dialogue with institutional shareholders on performance, plans and objectives through a programme of regular meetings. During the year they held over 66 individual meetings with investors and they have also hosted approximately 20 group meetings with investors and potential investors.

The Company Secretary acts as a focal point for communications on corporate governance matters. We also have a small central Corporate Responsibility (CR) team which co-ordinates strategy, policy development and reporting specifically with respect to CR matters. The team communicates with socially responsible investors and other stakeholders.

The Chairman also meets regularly with institutional shareholders to hear their views and discuss issues of mutual importance, and communicates their views to the other members of the Board. The SID and all the Non-Executive Directors are available to meet with shareholders.

The Chairman, Remuneration and Audit & Risk Committee Chairmen, the SID, Company Secretary and the Head of Human Resources held their annual meetings with major shareholders in November 2014 to discuss executive remuneration and corporate governance matters.

We have a briefing process in place for Non-Executive Directors, managed by the Chairman, to focus on sector specific issues and general shareholder preferences.

During the year, those aspects of our corporate governance arrangements that have been raised by investors and discussed with relevant Board Directors included;

- Board composition and refreshment, including the process used to search for Sir Christopher's replacement as Chairman;
- China and the company's ABAC procedures and practices;
- External audit contract tendering arrangements; and
- Reporting of annual bonus performance and the description/ operation of our malus/clawback mechanism.

Accountability

Internal control framework

The Board recognises its responsibilities to present a fair, balanced and understandable assessment of the Group's position and prospects.

The Board has accountability for reviewing and approving the effectiveness of internal controls operated by the Group, including financial, operational and compliance controls, and risk management.

The GSK Internal Control Framework (the Framework) is the means by which GSK assures compliance with laws and regulations, the reliability of financial reporting and the effectiveness of risk management. The Framework assists in the identification, evaluation, and management of principal risks as required by the UK Corporate Governance Code (the UK Code), and is designed to manage rather than eliminate the risk of not achieving business objectives. A fit-for-purpose internal control framework, in conjunction with embedding the GSK Values and our 'Speak Up' reporting lines, ensures that our Principal Risks are actively and effectively controlled. For more information see 'Risk Management' on pages 16 to 17.

The Framework is designed to ensure the risks associated with conducting our business activities are effectively controlled in line with GSK's risk appetite. We believe the Framework provides reasonable, but not absolute, assurance against material misstatement or loss.

To ensure effective governance and an ethical culture, GSK has established the Risk Oversight and Compliance Council (ROCC). This team of senior leaders is authorised by the Board to assist the Audit & Risk Committee (the Committee) in overseeing risk management and internal control activities. It also provides the business with a framework for risk management, upward reporting of significant risks, GSK Values and policies. Reporting upwards to the ROCC is a risk board structure within each business unit and global support function. These Risk Management and Compliance Boards (RMCB) are responsible for local "tone from the top", risk management and internal controls.

The ROCC and the RMCBs are assisted by Global Ethics and Compliance (GEC), which is responsible for supporting risk management and the development and implementation of practices that facilitate employees' compliance with laws and policy. GEC also provides assistance to help employees meet high ethical standards by operating in accordance with our Values, and to comply with applicable laws and regulations and corporate responsibility.

GSK's Audit & Assurance (A&A) provides an objective view (i.e. assurance) to senior management and the Board of how risk is being managed across the Group in line with an agreed Assurance Plan. This assurance helps them meet their oversight and advisory responsibilities in fulfilling our strategic and operational ambitions and building trust with our patients and other stakeholders. A&A has a dual reporting line into the CFO and the Committee.

The Committee receives reports from Business Unit Heads, GEC and A&A on areas of significant risk to the Group and on related internal controls. Following consideration of these reports, the Committee reports annually to the Board on the effectiveness of controls.

The Board, through the Committee, has reviewed the assessment of risks and the Framework, and has considered the effectiveness of the system of internal controls in operation across the Group for the year covered by this Annual Report and up to the date of its approval by the Board. The Board's review focuses on the company and its subsidiaries and does not extend to material associated undertakings, joint ventures or other investments, although it considers the risk of the company's participation in these activities. There are established procedures and controls in place to identify entities whose results must be consolidated with the Group's results.

We believe the process followed by the Board in reviewing the system of internal controls accords with the guidance on internal control issued by the Turnbull Committee. This is in accordance with the provisions of the UK Code, which provide that the Board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The Board provides oversight to help ensure that the Group maintains sound risk management and internal control systems. The Framework has been in operation for the whole year and continues to operate up to the date of the approval of this Annual Report.

A review of the Group's risk management approach is further discussed in the Risk Management section of the Strategic Report on pages 16 to 17. Our management of each Principal Risk is explained in the Risk Factors section of the Financial Report on pages 232 to 241.

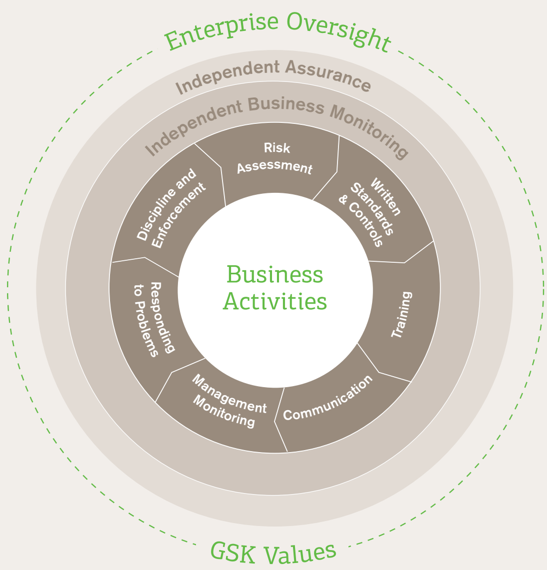
Committee reports

The reports of the Audit & Risk, Nominations and Corporate Responsibility Committees, describing the activities of those Committees during the year, are set out on pages 86 to 95.

Remuneration report

Our Remuneration report comprises the remuneration Committee Chairman's annual statement and the annual report on remuneration and is set out on pages 96 to 118. In addition, we have reproduced for convenience the 2014 Remuneration policy report, which is set out on pages 119 to 128.

Control framework



Key
- Individual Accountability
- Line Management Accountability with Compliance
- Business Management Accountability with Compliance
- Audit & Assurance

Corporate governance *continued*

Audit & Risk Committee Report

Dear Shareholder

In last year's Committee report, I stressed the importance of vigilance and continuous improvements to our internal control, financial reporting and risk management processes and systems. However, the Committee has also been focused on a number of activities associated with, and beyond, its core remit, in order to review the risk environment and exposures across the Group comprehensively. In doing so, it has overseen the implementation of a number of planned changes and further enhancements to our governance. This is principally around our compliance and risk management policies and procedures as well as close monitoring of the ongoing transformation of our finance processes and control environment, including the very extensive upgrades and updating of our IT systems. We have also considered the implications of the changes in the US market environment, particularly pricing dynamics, and the implementation of our ongoing cyber protection programme, Infoprotect.

Refocusing of the ROCC and the inclusion of Enterprise risks

The Committee has strengthened key areas of our risk management structure. Following a review of the Risk Oversight and Compliance Council's (ROCC) purpose, practices and membership, representation from our business units was adjusted to ensure that its membership was more appropriately aligned with the changing shape of the business. In particular, CET representation was increased, providing a much stronger strategic direction to the ROCC's deliberations and increasing its ability to consider cross enterprise risk exposures alongside its existing reviews of GSK's Principal risks.

To reinforce this approach, the Committee agreed with the ROCC to implement the designation of six Enterprise risks that specifically consider, for a particular risk, the potential exposures across GSK as a whole, as well as within individual business units and functions. The ROCC and the Committee have been especially focused on assessing and managing compounding or consequential factors.

In-country risk oversight

At an operational level, the Committee also approved the establishment of Country Executive Risk Boards (CERBs) to provide a means for our different business units operating in a particular country to manage the Principal risks which might impact on more than one business unit more effectively from a country perspective. Their work complements the work of our existing Risk Management and Compliance Boards (RMCBs) that are now well-embedded in each of our major business units. CERBs and RMCBs report into the ROCC on a regular review cycle.

Further enhancing our ABAC arrangements

These have remained a high priority for the Committee in 2014. We continue to review the lessons learned from recent investigations, particularly those at our Chinese operations in 2013, and ask how we can improve the effectiveness of our Anti-Bribery and Corruption (ABAC) approach. Significant steps that the Committee has taken to further strengthen our ABAC capabilities and controls across the Group include:

- a detailed review of our operations and ongoing presence in higher risk territories;
- enhancing the ongoing monitoring of compliance with ABAC-related controls in targeted emerging market territories to help identify and implement further enhanced controls where appropriate;
- our Emerging Markets and European General Managers completing reviews of their key controls and documenting adherence to GSK's values, policies and procedures as well as applicable local laws and regulations. Specific improvement plans have also been identified and are in the process of being implemented in a number of countries;
- creation of a specialist ABAC Centre of Excellence to provide training, due diligence and expert guidance capabilities for senior management across the Group;
- expanding the footprint and capabilities of our Global Ethics and Compliance (GEC) organisation in designated higher risk and emerging markets;
- ensuring that the resources and capabilities of our ABAC investigations team were strengthened;
- further increasing the oversight of our third party suppliers with the initiation of a new risk assessment and monitoring framework that is now being rolled out across the Group; and
- review of the progress of the external (Ropes and Gray) and internal China investigations, which have now been ongoing for over a year and a half, and continued to be a standing agenda item at Committee meetings throughout 2014. We are committed to implementing Ropes and Gray's conclusions. Many actions have already been implemented by a new management team, including enhanced procedures for monitoring the use of third party suppliers and local financial transactions. The Committee will continue to monitor progress in the related investigations closely until they are concluded.

Leadership of Global Compliance and Audit & Assurance

Our risk management boards are supported by our Global Compliance operations, which have been reorganised as Global Ethics and Compliance under the leadership of Nick Hirons, who had previously been Head of Audit & Assurance.

Our Audit & Assurance (A&A) function has also been reorganised under new leadership and the function now reports to the CFO, but is directly accountable to this Committee for providing it and the Board with effective assurance. Recent external benchmarking confirmed that the A&A team provided such assurance but also identified a number of areas for enhancement, including more local coverage and more frequent, shorter audit reviews, alongside the regular more detailed reviews, to enhance flexibility and improve visibility. I believe these changes will improve the Committee's ability to identify emerging risks proactively.

Finance transformation

The Committee continued to focus on the ongoing enhancement programme for our finance processes, including the creation of stronger shared service capabilities within our Core Business Services (CBS) operation. This programme is targeted at improving our control environment by standardising our finance policies and processes and updating them for the changing shape of the business. The programme includes a substantial upgrading of our IT platforms and, in particular, our enterprise resource planning (ERP) systems to create common platforms across each of our business units. Together, these improvements will deliver more consistent processes and controls and allow the business to manage its financial risks more effectively.

Implementation of this programme has created significant change in the business. The Committee has reviewed its progress in detail with input from our external auditors to ensure that effective controls remain in place during and after this transition. Year end reviews have not identified any material concerns.

US pricing

In light of the significant changes we have seen during the year in the US market place, the Committee has reviewed the implications of these changes for our Principal risks. In particular, we carry significant provisions for returns and rebates offered to US customers and in times of significant change these need to be especially carefully monitored to ensure they are aligned with current experience. Investments in new IT platforms in recent years have allowed us to remain responsive during the year despite often rapid change in the external environment and the Committee believes our provisioning in this area remains appropriate and adequate.

Infoprotect

The company is well underway with a multi-year programme to enhance and strengthen our cyber security defences. The Committee reviewed progress of this programme in detail with the recently appointed Chief Information Security Officer. We have made significant progress despite an increasing level of threat. Additional investments have been agreed to support this effort.

Proposed three-part Novartis transaction

In preparation for this transformative transaction, the Committee has reviewed the ROCC's assessments of the risk profile of the Novartis businesses that will become part of the Group. This review has utilised our Principal and Enterprise risks as a framework. Detailed mitigation plans are in place for risk issues identified and to ensure the incoming Novartis businesses can be successfully incorporated into the GSK risk monitoring framework. None of the risks identified was expected to give rise to material exposures, although this position is being monitored closely by the transaction integration planning teams. The ROCC has in place plans to review progress in managing these risks on a regular basis and the Committee will review these shortly after closing to ensure that our standards, values and culture are properly embedded into the reshaped and enlarged organisation.

External auditors

I would also like to assure shareholders how seriously the Committee takes its role and responsibility in appointing, assessing and monitoring the performance of the company's auditors. The Committee has, as usual, reviewed PwC's performance during the year and the audit process that they undertook and believes they continue to provide a high quality service to the company and its shareholders. The Committee has therefore recommended their reappointment for a further year. Given the current level of change in the business, the Committee concluded that it was not appropriate to put the audit out to tender in 2015. However, having reviewed the relative merits of conducting a tender and the recent changes in regulations in this area, the Committee has concluded that we should move towards a tender for new Auditors but that we should target the new firm taking over the audit for the 2018 financial year. To deliver this objective, we expect that we will start to prepare for a tender in the second half of 2016.

My role

Finally, in my role as the Chair of the Committee, I continue to widen and deepen my knowledge and understanding of the Group and the external environment in which GSK operates, together with best practice developments. In addition to holding regular meetings with key senior executives and attending a range of management meetings, including the CET, ROCC and Finance Leadership Team meetings, I have also attended briefing meetings with our external auditors, discussed aspects of the Committee's work with our shareholders and networked with audit committee chairmen at our peers to exchange views on regulatory and market developments, principally in the risk management and compliance arena.

Judy Lewent
Audit & Risk Committee Chairman
26 February 2015

Membership and attendance

The membership of the Committee, together with appointment dates and attendance at meetings, is set out below:

Members	Committee member since	Attendance at full meetings during 2014
Judy Lewent (Chairman from 1 January 2013)	1 April 2011	6/6
Lynn Elsenhans	1 January 2014	6/6
Stacey Cartwright	1 April 2011	6/6
Sir Deryck Maughan	21 January 2005	6/6
Dr Daniel Podolsky	1 January 2007	6/6
Tom de Swaan	1 January 2006	6/6
Jing Ulrich	1 May 2013	6/6

In addition to the six scheduled meetings, the Committee also met on a quorate basis on five occasions to review or approve matters associated with the Annual Report and Form 20-F, and preliminary and quarterly results announcements.

Details of the members' financial, accounting or scientific experience are given in their biographies under 'Our Board' on pages 72 to 75.

The entire Board is invited to attend the Committee meetings and other attendees include:

Attendee	Regular attendee	Attends as required
Chairman	✓	
CEO	✓	
CFO	✓	
General Counsel	✓	
Financial Controller	✓	
Head of Audit & Assurance	✓	
Company Secretary – Secretary to the Committee	✓	
Chairman, Global Vaccines	✓	
Head of Global Ethics and Compliance	✓	
Chief Medical Officer	✓	
Chief Product Quality Officer		✓
External auditor	✓	

In accordance with the UK Code, the Board has determined that Stacey Cartwright, Judy Lewent and Tom de Swaan all have recent and relevant financial experience. The Board has also agreed that they each have the appropriate qualifications and background to be audit committee financial experts as defined by the US Sarbanes-Oxley Act of 2002 and has determined that each is independent within the meaning of the US Securities Exchange Act of 1934, as amended.

In addition, Judy Lewent, Sir Deryck Maughan and Tom de Swaan are also members of the Remuneration Committee, which allows them to provide input on the Committee's review of the Group's performance and oversight on any risk factors relevant to remuneration matters.

Corporate governance
continued

Work undertaken by the Committee during 2014

The Committee has worked largely to a recurring and structured programme of activities agreed in conjunction with the Committee Chair, management and the external auditors at the start of the financial year. This programme comprised standing items that the Committee was required to consider at each meeting and other matters timed to coincide with key events of the annual financial reporting cycle and other business events.

The Committee considered, discussed and made decisions in relation to a number of matters during the year, the most significant of which are set out below.

Month	Financial reporting	Global internal control & compliance	External auditors	Risk	Governance and other matters
January	▪ Integrity of draft financial statements and appropriateness of accounting policies ▪ Draft 2013 Annual Report and 20-F and Annual Summary leaflet ▪ Directors' expenses	▪ Annual Internal Control and Compliance report ▪ Litigation report ▪ Corporate Integrity Agreement (CIA) update	▪ Assessment of external auditors, effectiveness of external audit process ▪ Re-appointment of auditors proposed for approval at AGM ▪ External auditor year-end audit findings	▪ China investigations and ABAC update ▪ Emerging risk review	▪ Compliance with UK Corporate Governance Code ▪ Latest Annual Report regulations ▪ Corporate governance update ▪ Private meeting with the external auditors
February	▪ Going concern assumption ▪ Preliminary results announcement ▪ Approval of 2013 Annual Report and Form 20-F and Annual Summary leaflet	▪ Sarbanes-Oxley confirmation	▪ Audit/non-audit expenditure during 2013 ▪ External auditor Sarbanes-Oxley control findings ▪ External auditor Annual Report and Form 20-F findings		
March		▪ Approach on Sarbanes-Oxley compliance for 2014 ▪ GMS business unit report ▪ Audit & Assurance (A&A) work during 2013 and plan for 2014 ▪ Litigation report	▪ Performance expectations for external auditors	▪ China investigations and ABAC update ▪ Emerging risk review ▪ ROCC meeting update	▪ Private meeting with the external auditors
April	▪ 1st Quarter results announcement		▪ External auditor 1st Quarter results review findings		
May		▪ CIA compliance ▪ Litigation report	▪ External audit plan and fee proposal for 2014	▪ China investigations and ABAC update ▪ Product Quality Enterprise Risk ▪ Vaccines and Emerging Markets business unit risks ▪ Emerging risk review ▪ ROCC meeting update	▪ Private meeting with the external auditors
July	▪ Going concern assumptions ▪ 2nd Quarter results announcement	▪ Controls at GSK listed and JV subsidiaries ▪ Litigation report ▪ R&D Pharmaceuticals and North American Pharmaceuticals business unit reports	▪ External auditor 2nd Quarter results review findings	▪ China investigations and ABAC update ▪ Patient Safety Enterprise Risk ▪ Emerging risk review ▪ ROCC meeting update	▪ Corporate governance update ▪ Private meeting with the external auditors
September		▪ Japan and Consumer Healthcare business unit reports ▪ External independent review of A&A ▪ Evolution of Emerging Markets compliance model ▪ CIA update reports		▪ China investigations and ABAC update ▪ EHSS Enterprise Risk ▪ Emerging risk review ▪ ROCC meeting update	▪ Private meeting with the external auditors
October	▪ 3rd Quarter results announcement	▪ Litigation report	▪ External auditor 3rd Quarter results review findings		

Month	Financial reporting	Global internal control & compliance	External auditors	Risk	Governance and other matters
December	▪ Key accounting issues and appropriateness of accounting policies	▪ Europe business unit report ▪ Global Support Functions business unit report ▪ Litigation report	▪ External auditor Phase One findings ▪ Pre-approval of budget for auditors to provide Non-Audit Services for 2015 and update on 2014 budget	▪ China investigations and ABAC update ▪ ABAC and Commercial Practices & Scientific Engagement Enterprise Risks ▪ Infoprotect review ▪ Operational Excellence programme review ▪ Emerging risk review	▪ Corporate governance update ▪ Tax strategy review ▪ External committee evaluation ▪ Private meeting with external auditors ▪ Collective meeting with Heads of A&A and GEC ▪ Individual meetings with Heads of A&A and GEC

In respect of financial reporting activities, the Committee reviews and recommends to the Finance Committee for its approval all financial results announcements. In considering the quarterly financial results announcements and the annual financial results contained in the 2014 Annual Report, the Committee reviewed the significant issues and judgements made by management in determining those results. The Committee reviewed papers prepared by management setting out the key areas of risk, the actions undertaken to quantify the effects of the relevant issues and the judgements made by management on the appropriate accounting required to address those issues in the financial statements.

Significant issues relating to the financial statements

The significant issues considered in relation to the financial statements for the year ended 31 December 2014 are set out in the following table, together with a summary of the financial outcomes where appropriate. In addition, the Committee and the external auditors have discussed the significant issues addressed by the Committee during the year and the areas of particular audit focus, as described in the Independent Auditor's Report on pages 131 to 135.

Significant issues considered by the Committee in relation to the financial statements	How the issue was addressed by the Committee
Going concern basis for the preparation of the financial statements	The Committee considered the outcome of management's half-yearly reviews of current and forecast net debt positions and the various financing facilities and options available to the Group. Following a review of the risk and potential impact of unforeseen events, the Committee confirmed that the application of the going concern basis for the preparation of the financial statements continued to be appropriate.
Revenue recognition, including returns and rebates (RAR) accruals	The Committee reviewed management's approach to the timing of recognition of revenue and accruals for customer returns and rebates. The US Pharmaceuticals and Vaccines accrual for returns and rebates was £1.3 billion at 31 December 2014 and the Committee reviewed the basis on which the accrual had been made and concurred with management's judgements on the amounts involved. A fuller description of the process operated in the US Pharmaceuticals and Vaccines business in determining the level of accrual necessary is set out in 'Critical accounting policies' on page 63.
Provisions for legal matters, including recent government investigations in relation to China to the extent that they can be determined	The Committee received detailed reports on actual and potential litigation from both internal and external legal counsel, together with a number of detailed updates concerning the government investigations in relation to China. Management outlined the levels of provision and corresponding disclosure considered necessary in respect of potential adverse litigation outcomes and also those areas where it was not yet possible to determine if a provision was necessary, or its amount. At 31 December 2014, the provision for legal matters was £0.5 billion, as set out in Note 29 to the financial statements, 'Other provisions'.
Provisions for tax issues	The Committee considered current tax disputes and areas of potential risk and concurred with management's judgement on the levels of tax contingencies required. At 31 December 2014, the Group's balance sheet included a tax payable liability of £0.9 billion.
Impairments of intangible assets	The Committee reviewed management's process for reviewing and testing goodwill and other intangible assets for potential impairment. The Committee accepted management's judgements on the intangible assets that required writing down and the resulting impairment charge of £157 million in 2014. See Note 19 to the financial statements, 'Other intangible assets' for more details.
Provisions for pension and other post-employment obligations	The Committee reviewed the significant assumptions adopted by management for the valuations of obligations for the Group's largest pension and post-retirement healthcare schemes in the UK and the US, together with the resultant net obligation amounts, as calculated by external actuaries. The Group's net deficit at 31 December 2014 amounted to £3.1 billion as set out in Note 28 to the financial statements, 'Pensions and other post-employment benefits'.
US Branded Prescription Drug fee	The Committee reviewed and concurred with management's assessment of the additional charge necessary to account for a further year of the fee in accordance with the final regulations issued by the US IRS in the year.
Valuation of contingent consideration	The Committee considered management's judgement that following the improved sales performance of *Tivicay* and *Triumeq*, it was necessary to increase the liability to pay contingent consideration for the acquisition of the former Shionogi-ViiV Healthcare joint venture. At 31 December 2014, the Group's balance sheet included a net contingent consideration liability of £1.7 billion. See Note 38 to the financial statements, 'Acquisitions and disposals' for more details.

Corporate governance
continued

Effectiveness of external audit process

In evaluating the effectiveness of the audit process prior to making a recommendation on the re-appointment of the external auditors, the Committee reviews the effectiveness of their performance against criteria which it agrees, in conjunction with management, at the beginning of each year's audit.

In undertaking this review, the Committee considers the overall quality of the audit, the independence of the auditors and whether they have exhibited an appropriate level of challenge and scepticism in their work.

The annual Committee evaluation seeks feedback from Committee members independently on the relationship with the auditors, the quality of insight they provide to the Committee on their work and whether the Committee has sufficient access to the auditors without executive management.

Finally, the Committee considers feedback on the prior year's external audit through a survey that seeks views from the financial management team at corporate and business unit level. It covers four key areas:

- robustness of the audit process;
- quality of the delivery;
- quality of the people; and
- quality of the service.

Having reviewed all this feedback provided through the mechanisms outlined above, and noted any areas of improvement to be implemented in respect of the team or the following year's audit, provided the Committee:

- is satisfied with the effectiveness of the auditors and the external audit process;
- is satisfied with the auditors' independence, appropriate level of qualifications, expertise and resources; and
- has considered whether it is in the best interests of shareholders and the company to initiate or defer a tender.

it will then consider recommending to the Board the re-appointment of the auditors at the forthcoming AGM.

The detailed criteria the Committee uses for judging the effectiveness of the external auditors and their overriding responsibility to deliver a smooth running, thorough and efficiently executed audit are set out below:

Performance expectations for GSK's external auditor

Specific auditor responsibilities	Wider auditor responsibilities
▪ Discuss approach and areas of focus in advance with early engagement on understanding the implications of GSK's new operating model ▪ Ensure Sarbanes-Oxley scope and additional procedures are discussed and endorsed by management and communicated on a timely basis within GSK and PricewaterhouseCoopers LLP (PwC) ▪ Avoid surprises through timely reporting of issues at all levels within the Group ▪ Ensure there is clarity of roles and responsibilities between the auditors and local management ▪ Respond to any issues raised by management on a timely basis ▪ Meet agreed deadlines ▪ Provide continuity and succession planning of key employees of the auditors ▪ Provide sufficient time for management to consider draft auditor reports and respond to requests and queries ▪ Employ consistent communication between local and central audit teams.	▪ Provide up-to-date knowledge of technical issues, providing accurate and timely advice ▪ Serve as an industry resource; communicating best practice and industry trends in reporting ▪ Adhere to all independence policies (including GSK's policies, the Financial Reporting Council's IAS 240 and applicable Securities and Exchange Commission standards) ▪ Deliver a focused and consistent audit approach globally that reflects local risks and materiality ▪ Liaise with GSK's Audit & Assurance team to avoid duplication of work and Global Ethics and Compliance team to ensure common understanding of audit outcomes ▪ Provide consistency of advice at all levels of the organisation.

Audit tendering

PwC has remained in place as auditors since the Group's inception in December 2000. Their performance has been reviewed annually and audit partner rotation requirements have been observed since that time. However, the audit contract has not been put out to tender in that period.

We observe the Financial Reporting Council's current transitional arrangements where an audit tender is tied to the end of the cycle of the current rotating audit partner. Our current audit partner has held the position for two years. The implications of the transitional arrangements for both the Competition and Markets Authority's audit contract tender regulations and the EU audit firm rotation requirements were also assessed when the Committee considered putting the audit contract out to tender.

In addition, as part of the Committee's review, evolving market practice and the changing expectations of shareholders were also noted.

However, given the integration challenges of the three-part Novartis transaction, the ongoing finance transformation, further service enhancements made by PwC, and having received competitive audit fee proposals from PwC, the Committee agreed there was currently a preference not to distract management and the Committee by undertaking a tender at this stage. However, the Committee also concluded that it would plan to undertake a tender process in the second half of 2016 with a view to appointing the new firm with effect from 1 January 2018.

Non-audit services

The Sarbanes-Oxley Act of 2002 prohibits the engagement of the external auditors for the provision of certain services such as legal, actuarial, internal audit outsourcing or financial information systems design. Where the external auditors are permitted to provide non-audit services (such as audit-related, tax and other services), the Committee ensures that auditor objectivity and independence are safeguarded by a policy requiring pre-approval by the Committee for such services. There were no contractual or similar obligations restricting the Group's choice of external auditors.

All non-audit services over £50,000 are put out to competitive tender with financial service providers other than the external auditors, in line with the Group's procurement process, unless the skills and experience of the external auditors make them the most suitable supplier of the non-audit service under consideration, in which case a request for proposal is submitted by the relevant CET member to the CFO for approval.

The following policy guidelines on engaging the external auditors to provide non-audit services are observed:

- ascertaining that the skills and experience of the external auditors make them a suitable supplier of the non-audit services;
- ensuring adequate safeguards are in place so that the objectivity and independence of the Group audit are not threatened or compromised; and
- ensure that the total fee levels do not exceed 50% of the annual audit fee, except in special circumstances where there would be a clear advantage in the company's auditors undertaking such additional work.

During the year, fees for the non-audit service work carried out by PwC were 73% of the annual audit fee. This exceptional level reflects the considerable services PwC has provided relating to the reporting accountant role in connection with the Class 1 Circular for the three-part Novartis transaction. Excluding the Novartis work, PwC's non-audit service fees would have represented 28% of the annual audit fee. The Committee considered that hiring PwC to undertake the Class 1 Circular work was in the best interests of shareholders because:

- PwC possessed the type of expertise, experience, size and international scope required to handle a major Class 1 transaction of this scale and complexity;
- the company benefited specifically from PwC's in-depth knowledge and understanding of our Vaccines, Consumer Healthcare and Oncology businesses and their processes and compliance environment;
- management time, that would otherwise have been devoted to educating another firm on the company's business and operations, could instead be spent on delivering a transaction that will substantially strengthen two of the Group's core businesses and create significant new options to increase value for shareholders; and
- the Committee could leverage PwC's capabilities to negotiate the most advantageous and cost-effective price.

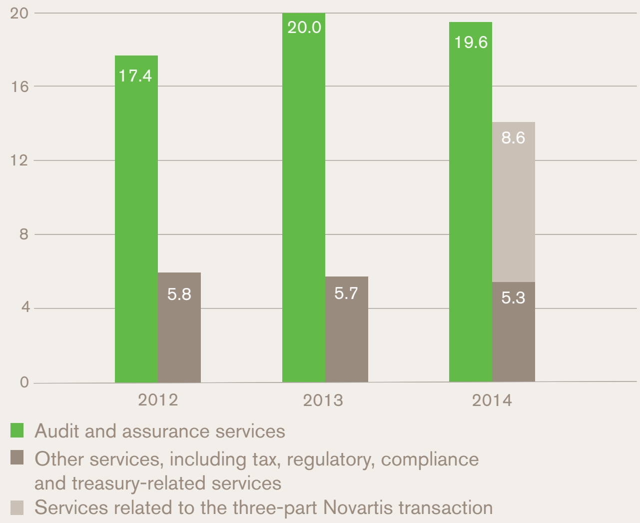
In addition, it should be noted that £3.6 million of the Novartis-related fees due to PwC arose from work done by Novartis' auditors who are also PwC.

To maintain the external auditors' independence and objectivity, for those Class I Circular workstreams where a self review threat was identified, an independent partner not involved in the audit was appointed to lead them. Management reviewed and considered PwC's findings and PwC did not make any decisions on behalf of management. Additionally, PwC had no input in respect of the production of financial information subsequently used by the audit team.

Fees paid to the company's auditor and its associates are set out below. Further details are given in Note 8 to the financial statements, 'Operating profit'.

Where possible, other accounting firms are engaged to undertake non-audit services.

Audit/non-audit service three year comparison graph (£m)



Code of Conduct and reporting lines

We also have a number of well established policies, including a Code of Conduct, which is available on the governance section of our website, and confidential 'Speak Up' reporting lines for the reporting and investigation of unlawful conduct. An updated version of the Code of Conduct was published in January 2014.

Fair, balanced and understandable assessment

One of the key compliance requirements of a group's financial statements is for the Annual Report to be fair, balanced and understandable. The coordination and review of Group-wide contributions into the Annual Report follows a well established and documented process, which is performed in parallel with the formal process undertaken by the external auditors.

The Committee received a summary of the approach taken by management in the preparation of GSK's 2014 Annual Report to ensure that it met the requirements of the UK Code. This enabled the Committee, and then the Board, to confirm that GSK's 2014 Annual Report taken as a whole is fair, balanced and understandable.

Committee evaluation

The Committee's annual evaluation was externally facilitated by Dr Tracy Long of Boardroom Review Limited, and supplemented by a questionnaire circulated to Committee members by the Committee Chairman. It was concluded that the Committee continued to operate effectively. In terms of enhancements to the Committee's deliberations, it was agreed that the following areas will be considered further to underpin the Committee's effectiveness:

- More regular updates on new or emerging issues and anticipating, through a streamlined reporting process, potential risk and audit issues;
- Increase focus on setting, monitoring and adjusting risk appetite;
- Widening and deepening the Committee's exposure to certain areas of the business and the external landscape to further increase understanding of potential threats and opportunities;
- Further enhance training requirements for Committee members; and
- Consider the division of focus on risk areas between the Board and the Committee.

Corporate governance
continued

Nominations Committee Report

Sir Philip Hampton
Nominations Committee Chairman

Membership

The membership of the Nominations Committee (the Committee), together with appointment dates and attendance at meetings, is set out below:

Members	Committee member since	Attendance at full meetings during 2014
Sir Philip Hampton (Chairman from 27 January 2015)	27 January 2015	0/0
Professor Sir Roy Anderson	1 October 2012	4/4
Lynn Elsenhans	27 January 2015	0/0
Sir Christopher Gent (Chairman from 1 January 2005 to 26 January 2015)	9 December 2004	4/4
Judy Lewent	8 May 2014	3/3
Sir Deryck Maughan	9 July 2009	4/4
Tom de Swaan	1 October 2012	4/4
Sir Robert Wilson*	28 March 2008	1/1

* Sir Robert Wilson retired from the Board on 7 May 2014.

In addition to the scheduled meetings, the Committee also met on a quorate basis on two occasions to consider and recommend to the Board the appointments of Sir Philip Hampton and Urs Rohner as Chairman Designate and a Non-Executive Director.

Other attendees at Committee meetings may include:

Attendee	Regular attendee	Attends as required
Chief Executive Officer	✓	
Head of Human Resources	✓	
Company Secretary – Secretary to the Committee	✓	
Appropriate external advisers		✓

Chairman succession

In 2010, it was unanimously agreed to extend Sir Christopher Gent's appointment as Chairman for a further five years with effect from 1 January 2011, subject to annual re-election by shareholders. At that time, the Board was about to enter a programme of progressive refreshment and this ensured continuity of Board leadership during a period when several Non-Executive Directors were approaching the end of their tenure. It also reflected the Committee's desire to plan and shape the composition and balance of the Board over the longer term.

In 2012, the Committee commenced its search for Sir Christopher's successor with the intention that he would step down as Chairman by the end of 2015.

At the start of the search process, the Committee drew up a job specification for the role of Chairman. The job specification was drafted to emphasise the importance that the Board and Committee placed on the Chairman in overseeing the company's strategy at a time when the industry continued to evolve at pace.

The following key attributes were identified:

- having experience of running a listed global organisation in a highly regulated industry with a clear and collegiate style of leadership;
- possessing a comprehensive knowledge and understanding of UK corporate governance arrangements;
- having a deep appreciation of UK shareholder and media perspectives; and
- treating the role as his or her primary commitment with a view to serving in the role over the medium to long-term.

These criteria were deemed key to the success of the new appointee and MWM, who specialises in the recruitment of high calibre Board Directors, was engaged to ensure that the widest possible pool of candidates was available to select from. MWM only provides recruitment consultancy services to the Committee. Their work was validated from time-to-time to ensure that there were no gaps in the search process and that the Committee was receiving the best possible market advice for this key appointment. The search was initiated by the Chairman and Senior Independent Director (SID) with support from the Head of Human Resources and the Company Secretary. As the search progressed and drew to a conclusion, it was led by the SID. Regular oversight of the process was exercised by the Committee and shareholders were briefed on the search criteria used and progress made by the Committee in identifying suitable candidates.

The pool of suitable candidates was reduced to a short-list. Briefing reports on the shortlisted candidates were reviewed and candidates met with key Board members. It became clear to the Board and the Committee that Sir Philip Hampton was the most suitable candidate to succeed Sir Christopher as Chairman.

On 24 September 2014, in accordance with the Committee's terms of reference, Sir Deryck Maughan, our SID, chaired the meeting of the Nominations Committee that recommended Sir Philip's appointment as a Non-Executive Director and successor to Sir Christopher.

Feedback from investors was then sought before the Committee made its recommendations to the Board. This positively supported Sir Philip's appointment.

The subsequent appointment recommendation received unanimous Board approval on 25 September 2014 it was announced that Sir Philip would join the Board as a Non-Executive Director with effect from 1 January 2015 and would become Deputy Chairman with effect from 1 April 2015. He will succeed Sir Christopher as Non-Executive Chairman with effect from the end of the AGM on 7 May 2015.

Sir Philip met the independence requirements set out in the UK Corporate Governance Code on appointment and will be able to dedicate the requisite time to the role.

New Non-Executive Director appointment

During 2014, in addition to the search for a successor to Sir Christopher as Chairman, the Committee searched for another Non-Executive Director as part of the phased refreshment of the Board.

During the search process, broad selection criteria were used which focused on achieving a balance between Continental European, UK, US and Emerging Markets experience, and having individuals with expertise and capabilities developed in various sectors and specialities.

MWM, Egon Zehnder and Korn Ferry were engaged to conduct the search and dossiers of potential Non-Executive appointees were considered by the Committee. Egon Zehnder and Korn Ferry only provide recruitment consultancy services to the Committee. Candidates were shortlisted for interview on merit, after assessing their relevant qualifications and time commitments.

After interviewing selected candidates, the Committee was pleased to recommend to the Board Urs Rohner as a Non-Executive Director. He was appointed to the Board with effect from 1 January 2015. The Board considered that his broad business background and extensive senior-level experience at multinational companies achieved the aim of appointing a candidate who has experience of running a highly regulated organisation with an understanding of investor perspectives, and who would bring fresh insights to the Board's deliberations.

Board and Committee changes

The refreshment of the Board has resulted in orderly changes to the composition of the Board and its Committees as set out below.

Sir Robert Wilson did not stand for re-election at the AGM in May after ten years of service. Sir Christopher Gent, Tom de Swaan and Jing Ulrich will not stand for re-election at the AGM in 2015 after ten, nine and three years of service respectively. Given the current stage of the Board refreshment programme and that three Board members will have stepped down from the Board by May 2015, Sir Deryck Maughan has agreed to stand for re-election by shareholders for one further year before stepping down from the Board at the 2016 AGM. He will provide continuity and balance to the composition of the Board, given his significant knowledge of, and experience in, GSK's business affairs. Sir Deryck has brought his own style to the role of SID and has discharged the responsibilities of the role with great diligence. He will also play an important part in the smooth transition between Sir Christopher and Sir Philip during 2015.

The Board has confirmed that Sir Deryck continues to demonstrate the characteristics of independence in carrying out his role on the Board. A search for a replacement SID to succeed him is currently being conducted by the Committee.

Sir Philip succeeded Sir Christopher as Chairman of the Nominations Committee on 27 January 2015. Sir Christopher will continue to serve as a member of the Committee for the remainder of his tenure on the Board. A successor to Tom de Swaan as Chairman of the Remuneration Committee, when he retires from the Board at the 2015 AGM, will be appointed from the membership of the Remuneration Committee.

Other appointments recommended by the Committee include: Lynn Elsenhans joining the Audit & Risk Committee with effect from 1 January 2014 and the Nominations Committee with effect from 27 January 2015. Judy Lewent was also appointed to the Nominations Committee with effect from 8 May 2014, the day after Sir Robert Wilson stepped down from the Committee.

Board diversity

We are committed to the diversity of our boardroom and we are similarly committed to equal opportunities for all our employees at all levels of the organisation. The diversity and inclusiveness of our workforce are promoted throughout GSK.

A key requirement of an effective board is that it comprises a range and balance of skills, experience, knowledge, gender and independence, with individuals that are prepared to challenge each other and work as a team. This needs to be backed by a diversity of personal attributes, including character, intellect, sound judgement, honesty and courage.

The Committee is responsible for developing measurable objectives to support the implementation of the Board's diversity policy, including gender, and monitoring progress towards the achievement of these objectives. In terms of gender diversity, we exceeded the target of at least 25% by 2013 that we had set ourselves in May 2011 and we are pleased to have maintained female Board level representation at over 30%. We will seek to at least maintain this level going forward.

We also have a good representation of women in management positions which is illustrated on page 45 as part of the gender diversity of GSK's global workforce. We will continue to support efforts to further increase the pipeline of women into senior positions within GSK. We also support the engagement of executive search firms such as MWM, Egon Zehnder and Korn Ferry, who have signed up to the Voluntary Code of Conduct on gender diversity and best practice.

CET changes

In terms of Executive succession planning, the Committee also recommended the appointment of Nick Hirons to the CET in September 2014 as Senior Vice President, Global Ethics and Compliance. Nick joined the company in 1994 as an Internal Auditor in the UK, taking on roles of increasing seniority until he was appointed Head of Audit & Assurance in 2009. In June 2013, he took up a role in China, where he was responsible for establishing a new governance model for our China business.

As part of ensuring more focused management of the company's Consumer Healthcare, Vaccines, and Pharmaceuticals businesses in advance of the completion of the three-part transaction with Novartis, the Nominations Committee recommended:

- in April 2014, that Emma Walmsley, who is currently President, Consumer Healthcare, will be appointed CEO of the Consumer Healthcare Joint Venture business and be a member of its Board if the transaction is successfully completed;
- the appointments in October 2014 of Dr Moncef Slaoui and Abbas Hussain as Chairman, Global Vaccines and Head of Global Pharmaceuticals respectively. Abbas subsequently assumed responsibility for US Pharmaceuticals as part of his role in February 2015. Moncef was previously Chairman, Global R&D & Vaccines, and he continues to provide scientific counsel on pharmaceuticals R&D activities to the CEO and Board. Abbas was previously President, Europe, Japan and EMAP; and
- following the announcement by Deirdre Connelly, President North America Pharmaceuticals, in February 2015 of her intention to retire from GSK and given the recent change to Global Pharmaceuticals, that her role will not be replaced on the CET.

Committee evaluation

The Committee's annual evaluation was externally facilitated by Dr Tracy Long of Boardroom Review Limited and concluded that the Committee continued to operate effectively. A key finding from Dr Long's evaluation concerned the tenure of the Committee members. Committee accountability is safeguarded when the majority of the Committee members will serve alongside the new Board appointees in the medium to long-term. The Committee agreed that it should continue to refresh its membership so that there was a suitable balance of longer serving Directors and more recent appointees to support the new Committee Chairman in shaping the Board.

Corporate governance
continued

Corporate Responsibility Committee Report

Sir Christopher Gent
Corporate Responsibility Committee Chairman

Membership

The membership of the Corporate Responsibility Committee (the Committee), together with appointment dates and attendance at meetings, is set out below:

Members	Committee member since	Attendance at full meetings during 2014
Sir Christopher Gent (Chairman from 1 January 2005)	9 December 2004	5/5
Dr Stephanie Burns	6 December 2007	5/5
Lynn Elsenhans	1 October 2012	5/5
Dr Daniel Podolsky	1 July 2006	5/5
Hans Wijers	10 October 2013	4/5
Sir Robert Wilson*	1 May 2013	2/2

* Sir Robert Wilson retired from the Board on 7 May 2014.

Hans Wijers was unable to attend one Committee meeting due to a prior business commitment.

Other attendees at Committee meetings may include:

Attendee	Regular attendee	Attends as required
Chief Executive Officer	✓	
Chairman, Global Vaccines	✓	
General Counsel	✓	
Head of Governance, Ethics & Assurance	✓	
Head of Global Communications and Government Affairs	✓	
Head of Global Corporate Responsibility	✓	
Company Secretary – Secretary to the Committee	✓	
Other Executives		✓
Independent external corporate responsibility adviser	✓	

Independent external corporate responsibility adviser

To augment GSK's engagement with stakeholder opinion, in May 2013, Sophia Tickell was appointed as an independent external adviser to the Committee, a position that she had held previously from March 2009 to July 2011. Ms Tickell has extensive experience in the pharmaceuticals industry in improving health systems productivity, sustainability in energy supply and distribution, climate change policy and short-termism in financial markets.

She is the co-founder and a Director of Meteos, from where she directs the Pharma Futures Series, which aims to align better societal and shareholder value. She holds a number of other board and advisory roles.

Ms Tickell attended meetings of the Committee and provided independent advice and guidance on corporate responsibility matters to both the Chairman and the CEO.

Main responsibilities

The main responsibilities of the Corporate Responsibility Committee are set out below.

The Committee has a rolling agenda and receives reports from members of the CET and senior managers to ensure that progress in meeting GSK's Corporate Responsibility commitments, which were set in 2012, is reviewed on an annual basis. These commitments are grouped across four areas:

- **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
- **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
- **Our people:** enabling our people to thrive and develop as individuals to deliver our mission
- **Our planet:** growing our business while reducing our environmental impact across the value chain.

The Committee also reviews and approves the Responsible Business Supplement which is available for reference on www.gsk.com/responsibility.

Work of the Committee during 2014

During 2014, the Committee focused its attention on several issues including:

CR Focus area	Committee's area of focus during 2014
Health for all	▪ Flexible and open R&D approach for diseases of the developing world and other areas of great medical need, such as antibiotics and dementia ▪ Strategic partnerships to address access and child mortality e.g. Save the Children and Neglected Tropical Diseases ▪ Strategic approach to drive access to medicines in Africa, including pricing, capacity building and health system strengthening ▪ Vaccines strategy to support global public health priorities, including pricing models, Malaria vaccine and Ebola response ▪ ViiV Healthcare Ltd's strategy to drive innovation and access to HIV medicines
Our behaviour	▪ Global incentive compensation programme and selling competency model ▪ Changes to how GSK engages with healthcare professionals ▪ Further embedding values-based decision making in the organisation, including training and compliance ▪ Progress on addressing human rights ▪ Conduct and public disclosure of clinical research, transparency of detailed data behind trial results and patient safety ▪ Replacement, refinement and reduction in use of animals in research and development
Our people	▪ Organisational change and employee relations ▪ Inclusion and diversity ▪ Leadership, development and approach to performance management ▪ Employee health, safety and wellbeing ▪ Volunteering
Our planet	▪ Environmental performance across carbon, water and waste impacts

Committee evaluation

The Committee's annual evaluation was externally facilitated by Dr Tracy Long of Boardroom Review Limited and concluded that the Committee continued to operate effectively. As part of the review, it was noted that the Nominations Committee would identify and recommend a new Committee Chairman to succeed Sir Christopher Gent when he retires from the Board at the end of the AGM on 7 May 2015.

Directors' Report

For the purposes of the UK Companies Act 2006, the Directors' Report of GlaxoSmithKline plc for the year ended 31 December 2014 comprises pages 71 to 95 of the Corporate Governance Report, the Directors' Responsibility Statements on pages 130 and 211 and pages 232 to 248 of Investor Information. As it is entitled to do by the Companies Act 2006, the Board has chosen to set out in the Strategic report those matters required to be disclosed in the Directors' Report which it considers to be of strategic importance to the company, as follows:

- risk management objectives and policies (pages 16, 17, 69 and 70)
- likely future developments of the company (throughout the Strategic report)
- research and development activities (pages 24 to 34)
- inclusion and diversity (pages 44 to 45)
- provision of information to, and consultation with, employees (pages 44 to 45)
- carbon emissions (pages 46 to 47)

In addition, the disclosures relating to the appointment or replacement of Directors and Directors' Powers at year end as required by the UK Corporate Governance Code are disclosed on page 246. The information in the following table is also incorporated into the Directors' Report:

	Location of details in 2014 Annual Report
Interest capitalised	Financial statements, Notes 17 and 19
Publication of unaudited financial information	Group financial review, page 60
Details of any long-term incentive schemes	Remuneration report
Waiver of emoluments by a Director	Not applicable
Waiver of future emoluments by a Director	Not applicable
Non pre-emptive issues of equity for cash	Not applicable
Non pre-emptive issues of equity for cash by any unlisted major subsidiary undertaking	Not applicable
Parent company participation in a placing by a listed subsidiary	Not applicable
Contracts of significance	Shareholder information
Provision of services by a controlling shareholder	Not applicable
Shareholder waiver of dividends	Financial statements, Notes 15 and 42
Shareholder waiver of future dividends	Financial statements, Notes 15 and 42
Agreements with controlling shareholders	Not applicable

The Directors' Report has been drawn up and presented in accordance with and in reliance upon English company law and the liabilities of the Directors in connection with that report shall be subject to the limitations and restrictions provided by such law. The Directors' Report was approved by a duly authorised Committee of the Board of Directors on 26 February 2015 and signed on its behalf by:

Sir Christopher Gent
Chairman
26 February 2015

Remuneration report
Chairman's Annual Statement

Dear Shareholder

As the Chairman of the Remuneration Committee (the Committee), I am pleased to present our Remuneration report for 2014.

Following a year of change in 2013 with the new remuneration reporting regulations, 2014 has been a year of stability. During the year, the Committee has operated our binding remuneration policy, which received overwhelming shareholder support at our 2014 AGM. For ease of reference for shareholders, we have included a copy of our approved Remuneration policy report at the end of this document. I can confirm that the structure of our incentive plans remains unchanged, with the exception of the extension of the time horizons of the PSP awards granted to Executive Directors in 2015, which now include a three year performance period and a five year vesting period.

At our AGM on 7 May 2015, shareholders will be asked to show their support for our annual report on remuneration for 2014.

Remuneration outcomes in respect of 2014

From a financial perspective, total turnover for 2014 was down 3% to £23 billion, with challenging trading conditions faced by the Group, particularly in the US primary care market. Core operating profit and core Group PBIT were down 6% at CER. Cost savings and financial efficiencies offset a substantial proportion of the impact from the top line pressures during the year and helped deliver the core EPS (down 1%), while also protecting investments in the business. The dividend for the year was increased by 3%.

Although 2014 has been a challenging year for GSK, there have been notable examples where the company has delivered positive outcomes, including great progress on key product launches and improved formulary positioning, as well as the continued progress in our respiratory pipeline. Our newly launched products, including *Tivicay* and *Triumeq* from ViiV Healthcare, *Tafinlar*, *Mekinist* and *Tanzeum* have contributed £1.5 billion in turnover, up 84% CER, and now represent 8% of Pharmaceutical and Vaccine sales. Furthermore, in responding to the Ebola crisis, GSK has been a clear leader in developing a vaccine. All of this has happened alongside our efforts to complete the transformational three-part transaction with Novartis.

Against this background, the key decisions made in respect of performance in 2014 by the Committee are highlighted below:

- The bonus outcome for the Executive Directors was determined by Group Operating Profit and Group PBIT, which achieved performance between threshold and target. This delivered significantly reduced bonus payments for the CEO and CFO, compared with those of 2013. Vaccines performance and the R&D value driver delivered on-target performance, which also resulted in a reduced bonus payment for Dr Slaoui when compared to the strong performance in 2013. Further details of these bonus awards are given on pages 99 to 101.
- Vesting of the 2012 PSP and DABP (Deferred Annual Bonus Plan) matching awards was impacted by TSR and adjusted free cash flow performance being below the thresholds set. On a positive note, key investments for the long-term success of the Group were not sacrificed. The overall vesting level of 13.5% was achieved by above threshold performance against the R&D new products and business diversification performance measures.

I am pleased to report that the executives continue to align their personal interests with those of shareholders. Sir Andrew has elected again this year to defer the maximum permitted amount under our DABP. His share ownership requirement (SOR) is to hold four times his base salary in GSK shares. He currently holds over 11 times his base salary in GSK shares, i.e. between two and three times the level required.

Further details of 2014 remuneration for executives and related performance under the annual bonus and long-term incentives (PSP awards and DABP matching awards) are given on pages 99 to 103.

Executive remuneration for 2015

The key changes to the structure of 2015 remuneration were disclosed in last year's report. For the 2015 awards, the time horizon for PSP awards to Executive Directors has been revised with the extension of the vesting period to five years. The awards continue to be subject to a three-year performance period. As we have already implemented malus and clawback provisions in prior years, no further changes are required in this regard to comply with the most recent updates to the UK Corporate Governance Code.

Agenda for 2015

No other structural changes are proposed for this year. The Committee decided that salary levels for Executive Directors would not be increased for 2015, although management have awarded a 1% average increase for employees in the UK and USA below the level of the CET.

The three-part transaction with Novartis is expected to be completed in the week commencing 2 March 2015 and will have wide-ranging implications for executive remuneration at GSK. It is anticipated that our adjusted free cash flow and R&D new product targets for the 2013, 2014 and 2015 PSP and DABP awards, and our business diversification target for the 2013 award, will need to be revised to reflect the nature of the business after the transaction. The Committee is aware of the potential challenges of making such adjustments and will appropriately engage with shareholders regarding each of these points in due course.

During 2015, the Committee will keep executive remuneration arrangements under review to ensure that they continue to meet the needs of the business. The Committee is proud of its track record of listening to the views of our shareholders. We will continue to engage with shareholders on executive remuneration matters to ensure that our remuneration policy is operated in their long-term interests. During 2014, we held our annual meeting with GSK's largest investors to listen to their views and feedback on corporate governance matters, and we will once again take this approach later in 2015.

Finally, I will be retiring as a Non-Executive Director of GSK at the 2015 AGM and consequently I am presenting my final report as Chairman of the Committee. A successor will be appointed from the Committee to take the work forward. I would like to take this opportunity to thank both my fellow Committee members and shareholders for their support during my tenure as Chairman of the Committee.

We look forward to receiving your support for our annual report on remuneration at our AGM. As always, we would also welcome all shareholders' feedback on this report.

Tom de Swaan
Remuneration Committee Chairman
26 February 2015

Annual report on remuneration

Total remuneration for 2014 (audited)

Salary + Benefits + Annual bonus + Value earned from long-term incentive awards + Pension = Total remuneration

A. Fixed pay (Salary + Benefits)

B. Pay for performance (Annual bonus + Value earned from long-term incentive awards)

C. Pension

The total remuneration for 2014 for each Executive Director is set out in the table below:

	Sir Andrew Witty, CEO				Simon Dingemans, CFO				Dr Moncef Slaoui, Chairman, Global Vaccines			
	2014 £000	% of total	2013 £000	% of total	2014 £000	% of total	2013 £000	% of total	2014 $000	% of total	2013 $000	% of total
A. Fixed pay												
Salary	**1,087**		1,059		**718**		699		**1,212**		1,180	
Benefits[1]	**70**		67		**79**		65		**571**		747	
Total fixed pay	**1,157**	**30%**	1,126	16%	**797**	**43%**	764	23%	**1,783**	**41%**	1,927	23%
B. Pay for performance												
Annual bonus – including the amount deferred	**917**		1,875		**446**		886		**1,108**		1,973	
Value earned from LTI awards[2]:												
Matching awards under Deferred Annual Bonus Plan	**111**		249		**65**		n/a		**138**		485	
Performance Share Plan	**1,035**		3,250		**398**		1,502		**939**		3,763	
Total value earned from LTI awards	**1,146**		3,499		**463**		1,502		**1,077**		4,248	
Total pay for performance	**2,063**	**53%**	5,374	74%	**909**	**49%**	2,388	73%	**2,185**	**51%**	6,221	74%
C. Pension[3]	**671**	**17%**	707	10%	**144**	**8%**	140	4%	**365**	**8%**	266	3%
Total remuneration[4]	**3,891**		7,207		**1,850**		3,292		**4,333**		8,414	

Notes:

[1] Certain expenses incurred in the normal course of business are considered to be taxable benefits by UK HM Revenue & Customs and as such the table above includes these figures for 2013 and 2014. Further details are provided on page 98.

[2] An analysis of the value of LTIs earned by Sir Andrew Witty, Simon Dingemans and Dr Moncef Slaoui is set out on pages 113 to 116.

[3] Full details of the pension contributions and pensions accrued to date for the Executive Directors are given on page 106.

[4] The Committee may in specific circumstances, and in line with stated principles, apply clawback/malus, as it determines appropriate. Following due consideration by the Committee, there has been no reduction of outstanding awards or vesting levels (malus) applied during 2014 in respect of any of the Executive Directors.

The following sections provide details of each element of 'Total remuneration', including how we implemented the remuneration policy approved by shareholders in May 2014 and how it will be applied in 2015.

Annual report on remuneration
continued

Comparator groups for pay and performance

The Committee uses two primary pay comparator groups when considering executive pay:

UK cross-industry comparator group	Global pharmaceutical comparator group	
Anglo American	France	Sanofi
AstraZeneca	Switzerland	Novartis
BG Group		Roche Holdings
BHP Billiton	UK	AstraZeneca
BP	USA	AbbVie*
British American Tobacco		Amgen*
Diageo		Bristol-Myers Squibb
Reckitt Benckiser		Eli Lilly
Rio Tinto		Johnson & Johnson
Royal Dutch Shell		Merck & Co
SAB Miller		Pfizer
Tesco		
Unilever		
Vodafone		

* Amgen and AbbVie are included for remuneration benchmarking, but are not included in the TSR comparator group.

The global pharmaceutical comparator group is also used as the basis for the TSR comparator group which features in our long-term incentive awards.

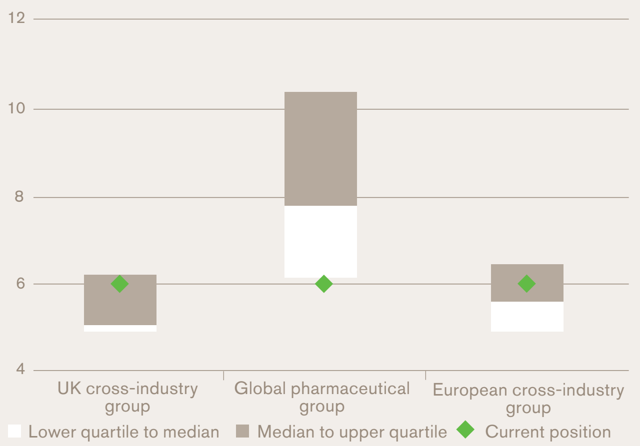
The primary pay comparator group for each of the Executive Directors is shown in the table below:

	Primary pay comparator group	
Director	UK cross-industry	Global pharmaceutical
Sir Andrew Witty	✓	
Simon Dingemans	✓	
Dr Moncef Slaoui		✓

When reviewing the CEO's remuneration, the Committee also references pay for a group of leading European companies whose selection is based on their size and complexity.

Summary of total package competitive positioning for the CEO

Total remuneration benchmarking (£m)



Benchmarking includes salary and the expected value of incentives based on the Committee's agreed benchmarking methodology.

Salary

For 2015, the average salary increase budget for employees below the level of the CET will be approximately 1.0% in both the UK and USA.

The Committee decided not to increase the Executive Directors' salaries for 2015.

The table below sets out the base salaries of the Executive Directors over the last two years and for 2015.

	% change	Base salary 2015	2014	2013
Sir Andrew Witty	0%	£1,087,300	£1,087,300	£1,060,800
Simon Dingemans	0%	£717,700	£717,700	£700,150
Dr Moncef Slaoui	0%	$1,211,800	$1,211,800	$1,182,200

Benefits (audited)

The following table shows a breakdown of the grossed up cash value of the benefits received by the Executive Directors in 2014 and 2013.

	Sir Andrew Witty	Simon Dingemans	Dr Moncef Slaoui
2014 benefits	**£000**	**£000**	**$000**
Employee benefits(1)	20	24	136
Travel(2)	42	42	105
Other benefits(3)	8	13	330
Total 2014 benefits	**70**	**79**	**571**
2013 benefits	**£000**	**£000**	**$000**
Employee benefits(1)	17	22	157
Travel(2)	36	30	82
Other benefits(3)	14	13	7
International assignment(4)	–	–	501
Total 2013 benefits	**67**	**65**	**747**

(1) Employee benefits include healthcare, car allowance, personal financial advice and life assurance/death in service.

(2) Travel expenses include car, travel and family, spouse and partner costs associated with accompanying the director on GSK business, which are deemed to be taxable benefits on the individual.

(3) Other benefits comprise expenses incurred in the ordinary course of business, which are deemed to be taxable benefits on the individual and, as such, have been included in the table above. For Dr. Slaoui in 2014, this includes UK accommodation of $326,610.

(4) Dr Moncef Slaoui was seconded to the UK in November 2010 in order to enable him to be closer to the Vaccines business as he assumed operational responsibility for that part of the Group. The secondment ended on 31 December 2013. In line with other senior GSK expatriates, he received appropriate assignment expenses, including accommodation, location allowance, relocation specific financial advice and tax equalisation.

No significant changes to the provision of benefits are proposed for 2015. For further details, please refer to the Policy report (see page 119).

Pay for performance (audited)

Annual bonus

The majority of the annual bonus opportunity is based on a formal review of performance against stretching financial targets. This outcome is then adjusted to reflect individual performance by applying an individual performance multiplier (IPM).

For the financial measures, the bonus threshold is 90% of target, with the maximum being payable for achievement of 110% of target. The bonus threshold of 90% reflects the stretching nature of the bonus targets.

The IPM is set by the Committee taking into account performance against individual objectives. The multiplier may be set between 0% and 150%. Generally, in a year when an Executive Director has performed strongly against all their objectives, it would be expected that they would receive an IPM towards the top of that range.

2014 performance against targets

For 2014, the annual bonus was based on the following financial performance measures and weightings.

	Core Group operating profit	Core Group PBIT	Vaccines performance	R&D value driver
Sir Andrew Witty	75%	25%	–	–
Simon Dingemans	75%	25%	–	–
Dr Moncef Slaoui	–	25%	25%	50%

As the actual financial targets are linked to the company's financial and strategic plan, the Committee believes that the targets remain commercially sensitive. The specific 2014 targets are therefore not disclosed. However, the following illustrates the performance achieved in the year against the target for each of the four measures. Individual performance multipliers set for 2014 were also substantially lower than 2013.

Performance measure	Performance below threshold	Performance between threshold and target	Target performance	Performance between target and range maximum	Performance above range maximum
Core Group operating profit					
Core Group PBIT					
Vaccines performance					
R&D value driver					

Financial performance

Core Group operating profit and core Group profit before interest and tax

In the face of some major headwinds impacting the Group, the performance in 2014, both in terms of core Group operating profit and core Group profit before interest and tax was resilient. Strong sales performances were delivered in several important parts of the business, including Emerging Markets (+5%), Japan (+1%), ViiV Healthcare (+15%) and oncology (+33%). Europe, helped by the benefits of refocusing the commercial organisation, delivered another relatively stable performance despite ongoing government and competitive pressures. In addition, a tight rein on costs, added to the delivery of incremental savings in 2014 from restructuring and structural initiatives (approximately £400 million), helped to offset a substantial portion of the impact from top line pressures while, importantly, protecting key investments required for the long-term success of the Group.

Vaccines performance and R&D value drivers

Targets for the year around pipeline growth and value were achieved.

This reflects four important approvals in 2014 (*Incruse Ellipta* and *Arnuity Ellipta* in respiratory, *Triumeq* in HIV and *Tanzeum* for Type 2 diabetes), two very important regulatory filings (*Breo Ellipta* for use in asthma in the US and mepolizumab, our first-in-class anti-IL5 treatment, for severe asthma, filed in the US and Europe) and the start of three major phase III programmes (our triple combination therapy for COPD, mepolizumab for COPD and *losmapimod* for Acute coronary syndrome). Global sales of vaccines were down 1% as several strong performances (*Boostrix*, *Rotarix*, *Synflorix*, *Infanrix/Pediarix*) offset most of the impact of the ongoing suspension of HPV vaccines in Japan, the return to the market of competing vaccines and supply constraints. The business also delivered exciting phase III data for the Group's vaccine to prevent shingles and achieved major milestones in the programmes for Malaria and Ebola.

Annual report on remuneration
continued

The table below sets out the matters which the Committee considered in respect of the individual objectives set for each Executive Director.

Personal performance	
Sir Andrew Witty	Sir Andrew's bonus reflects financial performance, developments that offer the opportunity to positively re-shape the Group's business and management's response to issues and challenges faced in the course of the year. These included: The Group's financial performance and response to challenging trading conditions in the year, which included greater than expected contracting and competitive pressures to the US respiratory business, the launch of *Lovaza* generics and supply disruptions in Consumer Healthcare. Sales were down 3% to £23 billion and core EPS was down 1% CER to 95.4p, helped by delivery of cost and financial efficiencies. Initiation of the innovative proposed three-part transaction with Novartis, which accelerates the Group's strategy to re-shape its business and provide a better balance and broader range of growth drivers; synergy and operating leverage opportunities; further financial efficiencies and increased balance and sustainability of cash flow. The commencement of a new restructuring programme to simplify GSK's global Pharmaceuticals Business. Approximately £1 billion of annual cost savings are expected to be delivered over the next 3 years. £400 million of net incremental cost savings were delivered from existing restructuring programmes and structural savings in 2014. The establishment of a new executive management structure to simplify the organisation and ensure focus across three core global businesses (Global Pharmaceuticals, Consumer Healthcare and Vaccines). The Group also continued to restructure its ways of working, with global roll-out of measures to modernise GSK's commercial model and interaction with healthcare professionals. Sustained delivery in R&D, with 16 approvals and 11 filings for key products in major markets in 2014, including continued build of new products in core pharmaceutical areas of respiratory and HIV. Sustained progress of assets in the advanced pipeline (7 advanced assets viewed with high potential: a closed triple combination in respiratory, losmapimod for acute coronary syndrome, mepolizumab for severe asthma and COPD, sirukumab for RA, a vaccine to prevent shingles, cabotegravir for HIV and '863 for anaemia). Further strengthening of GSK's business and contribution to public health in middle-income/developing countries. During the year, the company filed its candidate vaccine to prevent malaria, developed a candidate Ebola vaccine to help respond to the crisis in West Africa, launched a new long-term Africa strategy of investment and launched new pricing approaches for vaccines. GSK was placed 1st in the Access to Medicine Index for the fourth consecutive year. The Group's response to the China investigation, both in reform of its subsidiary business and implementation of steps to further strengthen ABAC monitoring, controls and procedures in other markets. The impact of the investigation was also considered in the evaluation of Sir Andrew's remuneration in 2013. Overall evaluation of Sir Andrew's performance and leadership of the Group in 2014 led the Committee to award a bonus of £917,000 for 2014. This represents a reduction of £958,000 (51%) compared to the bonus award for 2013 (£1,875,000).
Simon Dingemans	GSK delivered core EPS down 1%, in line with the revised financial guidance provided in July 2014, while also protecting ongoing investments in new launches, additional manufacturing capabilities and capacity for the long-term success of the Group. Simon continued to drive operating and financial efficiencies and helped lead the planning for the new restructuring programme that is expected to deliver £1 billion of annual savings by 2017 and 50% in 2016. GSK was able to return £4.1 billion of cash to shareholders in 2014. The roll out of GSK's ERP system and the establishment of Core Business Services to bring together support functions in order to streamline and standardise functional support to the business has continued at a significant pace.
Dr Moncef Slaoui	Dr Moncef Slaoui delivered a year of good performance for R&D. The number of candidate selections, commit to medicines development and files approved were in line with or ahead of R&D's fill and flow targets. First time in human submissions were slightly below target. New product sales were encouraging. Dr Slaoui transitioned leadership of R&D to Dr Vallance following a planned period of development. Under Dr Slaoui's leadership, the Vaccines business delivered strong performance in 2014 in line with plan.

The following table shows actual bonuses earned compared to opportunity for 2014 and 2013.

	Base salary £/$000	Bonus opportunity		Total bonus		Bonus paid	
		Target (% of salary)	Maximum (% of salary)	2014 (% of salary)	2013 (% of salary)	2014 £/$000	2013 £/$000
Sir Andrew Witty	£1,087	125%	200%	84%	177%	£917	£1,875
Simon Dingemans	£718	80%	180%	62%	127%	£446	£886
Dr Moncef Slaoui	$1,212	85%	200%	91%	167%	$1,108	$1,973

2015 operation of annual bonus plan

In line with the policy that performance measures should be based on relevant business unit performance and given the change to Dr Moncef Slaoui's responsibilities during 2014, for 2015 Dr Slaoui's financial performance measures and weightings will be as follows:

	Core Group operating profit	Core Group PBIT	Vaccines performance	R&D value driver
Dr Moncef Slaoui – 2015	–	25%	75%	–

No other changes are proposed to the operation of the annual bonus plan for 2015. Inevitably, targets linked directly to the financial and strategic plan are commercially sensitive and the Committee does not consider it appropriate to disclose annual bonus targets during the year. However, details of performance achieved will be disclosed in the 2015 Annual Report.

Long-term incentive plans (audited)

Deferred Annual Bonus Plan and matching awards

The levels of participation in respect of 2013 and 2014 for the Executive Directors are shown in the table below, together with the maximum matching awards granted in 2015 in respect of the deferrals of 2014 bonuses.

	2015 Matching award	% of total bonus deferred into shares or ADS 2014	2013
Sir Andrew Witty	30,172 shares	50%	50%
Simon Dingemans	14,680 shares	50%	35%
Dr Moncef Slaoui	11,973 ADS	50%	50%

Vesting of matching awards with a performance period ended 31 December 2014 is shown on pages 113 and 114.

Performance conditions for matching awards made in 2015 under the Deferred Annual Bonus Plan (DABP) are the same as for the Performance Share Plan and are described on page 104.

Performance Share Plan

The table below shows Performance Share Plan (PSP) award levels for 2014 and 2015 for each Executive Director:

	2015 Award	2015 Award level as % of base salary	2014 Award level as % of base salary
Sir Andrew Witty	429,338 shares	600%	600%
Simon Dingemans	188,930 shares	400%	400%
Dr Moncef Slaoui	131,005 ADS	500%	500%

25% of Sir Andrew Witty's 2014 PSP award is subject to a further two-year vesting period (five years in total). The PSP awards made to all of the Executive Directors in 2015 are subject to a three year performance period and a five year vesting period.

PSP and DABP matching awards are both subject to performance and continued employment.

Annual report on remuneration
continued

2012 awards with a performance period ended 31 December 2014 (audited)

The Committee reviewed the performance of the PSP and DABP matching awards granted to Executive Directors against targets set in 2012. The performance achieved in the three years to 31 December 2014 and the actual vesting levels are set out in the table below. The Committee previously provided estimates of vesting for 2012 awards in GSK's 2012 and 2013 Annual Reports. Those estimates were based on performance achieved at that time and the following reflects performance achieved over the course of the whole performance period. No discretion was exercised in determining their vesting levels.

Due to commercial sensitivities, the targets for R&D new products and business diversification were not disclosed at the time of grant and the Committee committed to disclosing them at the time of vesting. These targets are shown in the table below.

Performance measures and relative weighting	Performance targets and performance achieved	Vesting	
		% of maximum	% of award
Business diversification performance (25%)	The business diversification measure was based on an aggregate three-year revenue target for Vaccines, Consumer Healthcare, Dermatology and Emerging Markets, Asia Pacific and Japan. The vesting schedule is shown below. Aggregate sales for the period were £44.96 billion. Target / % vesting* **Maximum** £51.23 billion 100% £49.74 billion 75% £47.26 billion 50% **Threshold** £44.77 billion 25%	27%	6.75%
R&D new product performance (25%)	The R&D new product performance measure was based on an aggregate three-year revenue target for New Product sales. New Products are defined as products launched in the performance period and the two preceding years. Therefore products launched in the years 2010 to 2014 were included. The vesting schedule is shown below. Aggregate sales for the period were £6.33 billion. Target / % vesting* **Maximum** £7.70 billion 100% £7.00 billion 75% £6.65 billion 50% **Threshold** £6.30 billion 25%	27%	6.75%
Adjusted free cash flow performance (25%)	Adjusted free cash flow (AFCF) for the three years was £14.40 billion which, in line with the Committee's agreed principles, included adjustments for a number of material distorting items, including legal settlements, exchange rate movements and special pension contributions. The AFCF vesting schedule was disclosed at the time of grant. 25% (threshold) of the award vests for achieving AFCF of £17.30 billion, 50% for achieving £17.84 billion, 75% for achieving £19.62 billion and 100% (maximum) for achieving £20.52 billion, with straight-line vesting between these points.	0%	0%
Relative TSR performance (25%)	GSK's TSR rank position was 10th in the comparator group of ten pharmaceutical companies (GSK and nine other companies). The vesting schedule and comparator group is as set out for the 2015 awards on page 104.	0%	0%
Total vesting in respect of 2014			**13.5%**

* Straight-line vesting applies between these points.

Use of malus and clawback

The company's policy on malus and clawback is set out in the 2014 Remuneration policy report on page 121.

The Committee has jurisdiction on malus and clawback in respect of the executives. The Recoupment Committee exercises this authority for the wider employee base. It is comprised of senior executives with relevant oversight and appropriate experience, including the Senior Vice President, Global Ethics and Compliance, and the Senior Vice President & General Counsel.

From 1 January 2015, in respect of each financial year, the Committee will disclose whether it (or the Recoupment Committee) has exercised clawback or malus.

Disclosure will only be made when the matter has been the subject of public reports of misconduct, where it has been fully resolved, where it is legally permissible to disclose and where it can be made without unduly prejudicing the company and therefore shareholders.

The Committee has determined that the release of some shares under the LTI plans may be delayed in the case of leavers, to reinforce the implementation of the malus and clawback policy. Also, in the case of deferred bonus awards under the DABP granted to executives who then retire or are made redundant, the vesting of those awards will normally be delayed so that they vest on their original timescales rather than vesting earlier at the end of the year in which the termination date falls.

Update on performance of ongoing awards

The Committee reviewed the performance of the PSP and DABP matching awards granted to Executive Directors in 2013 and 2014. The following tables provide an estimate of vesting taking into account performance to date. Actual vesting levels will only be determined based on performance over the full three-year performance periods. The indications below should therefore not be regarded as predictions of the final vesting levels. It is also noted that in relation to some measures, adjustments may be required following the close of the three-part transaction with Novartis, which is expected to complete during the week commencing 2 March 2015, to reflect the impact of the transaction on the business.

2013 awards with a performance period ending 31 December 2015

Performance measures and relative weighting	Performance update
Business diversification performance (25%)	Business diversification performance for the 2013 awards measures aggregate three-year sales across Vaccines, Consumer Healthcare and Emerging Markets, Asia Pacific and Japan. Threshold performance results in 25% vesting and maximum performance (114% of threshold) results in 100% vesting. There were good sales for the two years for these business areas. Based on aggregate sales for the period and based on performance measure definitions, vesting is currently estimated to be between 25% and 50% of the maximum for this element.
R&D new product performance (25%)	R&D new product sales performance measures aggregate three-year sales for new products launched in the three-year performance period and preceding two years, i.e. 2011-2015. Threshold performance results in 25% vesting and maximum performance (122% of threshold) results in 100% vesting. There were strong sales of new products in the two years. Based on aggregate sales of new products for the two years, and based on performance measure definitions, vesting is currently estimated to be between 75% and 100%.
Adjusted free cash flow performance (25%)	The AFCF vesting schedule for the 2013 awards was disclosed at the time of grant. 25% (threshold) of the award vests for achieving AFCF of £14.06 billion, 50% for achieving £14.49 billion, 75% for achieving £15.94 billion and 100% (maximum) for achieving £16.66 billion, with straight-line vesting between these points. Based on AFCF for the two years, and on performance measure definitions, vesting is currently estimated to be below threshold.
Relative TSR performance (25%)	For the period 1 January 2013 to 31 December 2014, GSK's TSR rank position was 10th in the comparator group of ten pharmaceutical companies (GSK and nine other companies). The vesting schedule and comparator group are as set out for the 2015 awards on page 104. If the ranking position remains at this level, vesting would be below threshold.
Current estimate of potential total vesting for 2013 awards	**Between 25% and 50% vesting**

2014 awards with a performance period ending 31 December 2016

Performance measures and relative weighting	Performance update
R&D new product performance (1/3rd)	R&D new product sales performance measures aggregate three-year sales for new products launched in the three-year performance period and preceding two years, i.e. 2012-16. Threshold performance results in 25% vesting and maximum performance (122% of threshold) results in 100% vesting. There were strong sales of new products in the year. Based on aggregate sales of new products for the year, and based on performance measure definitions, performance is currently estimated to be above the maximum vesting level (i.e. 100%) for this element.
Adjusted free cash flow performance (1/3rd)	The adjusted free cash flow (AFCF) vesting schedule for the 2014 awards was disclosed at the time of grant. 25% (threshold) of the award vests for achieving AFCF of £13.68 billion, 50% for achieving £14.10 billion, 75% for achieving £15.51 billion and 100% (maximum) for achieving £16.22 billion, with straight-line vesting between these points. Based on AFCF for the year, and on performance measure definitions, vesting is currently estimated to be below threshold.
Relative TSR performance (1/3rd)	For the period 1 January 2014 to 31 January 2014, GSK's TSR rank position was 10th in the comparator group of ten pharmaceutical companies (GSK and nine other companies). The vesting schedule and comparator group are as set out for the 2015 awards on page 104. If the ranking position remains at this level, vesting would be below threshold.
Current estimate of potential total vesting for 2014 awards	**Between 25% and 50% vesting**

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Performance targets for 2015 awards

Inevitably, measures linked directly to strategy are commercially sensitive. In particular, the Committee does not consider it appropriate to disclose the targets for R&D new product performance at grant, as it may result in competitive harm. However, the targets will be disclosed in full in GSK's 2017 Annual Report at the end of the performance period, together with details of the extent to which they have been met. The Committee will provide updates on estimated vesting against the targets during the performance period. The 2015 performance targets and vesting schedules are set out in the table below.

2015 awards with a performance period ending 31 December 2017

Performance measures and relative weighting	Link to strategy	Vesting schedule
R&D new product performance (1/3rd)	Recognises importance of R&D to future business growth. Revenue target based on new product sales to incentivise better R&D performance. New products defined as products launched in the performance period and the two preceding years. Therefore, for the 2015-2017 performance period, products launched in the years 2013-2017 will be included in the measurement. Aggregate three-year revenue target for 2015 awards for new product sales should reflect growth on historic performance of new product sales.	**Performance (% of threshold)** / **% vesting** **Maximum**: 122% / 100% **Threshold**: 100% / 25%
Adjusted free cash flow performance (1/3rd)	Recognises importance of effective working capital and cash management.	The performance targets for this measure will be determined and communicated following the close and implementation of the three-part transaction with Novartis, which is expected to complete in the week commencing 2 March 2015. It is anticipated that these will be communicated by the end of July 2015.
Relative TSR performance (1/3rd)	Focuses on delivery of value to shareholders. Relative TSR using a comparator group comprising GSK and nine other global pharmaceutical companies. Relative TSR is measured over three years, using a twelve-month averaging period. TSR is measured in local currency.	**TSR ranking within comparator group[1]** / **% vesting** **Maximum**: 1st, 2nd, 3rd / 100% 4th / 72% **Threshold[2]**: 5th / 44% Median / 30% 6th to 10th / 0% [1] TSR comparator group: AstraZeneca, Bristol-Myers Squibb, Eli Lilly, GSK, Johnson & Johnson, Merck & Co, Novartis, Pfizer, Roche Holdings and Sanofi. [2] The vesting schedule is based on delivering 30% vesting for median performance. In a comparator group of ten companies, median falls between two companies. Threshold vesting is therefore for achieving above median performance.

Historical vesting for GSK's LTIs

The following table shows historical vesting levels under the company's long-term incentive plans (Deferred Annual Bonus Plan matching awards, Performance Share Plan and Share Option Plan) in respect of awards made to executives since 2004.

	Deferred Annual Bonus Plan		Performance Share Plan					Share Option Plan
Year of grant	Performance period	Total vesting %	Vesting under TSR %	Vesting under adjusted free cash flow %	Vesting under R&D new product %	Vesting under business diversification %	Total vesting %	Vesting under EPS %
2004	2005–2007	n/a	38.5	n/a	n/a	n/a	38.5	100
2006	2006–2008	n/a	0	n/a	n/a	n/a	0	50.7
2007	2007–2009	n/a	35	n/a	n/a	n/a	35	0
2008	2008–2010	n/a	35	n/a	n/a	n/a	35	0
2009	2009–2011/12	n/a	9	40	n/a	n/a	49	0
2010	2010–2012/13	30	9	16	n/a	n/a	25	n/a
2011	2011–2013	40	0	13	16	11	40	n/a
2012	2012–2014	13.5	0	0	6.75	6.75	13.5	n/a

For the DABP, the 2010 awards were subject wholly to TSR performance and from 2011 awards were subject to the same performance measures as PSP awards.

Other all-employee share plans

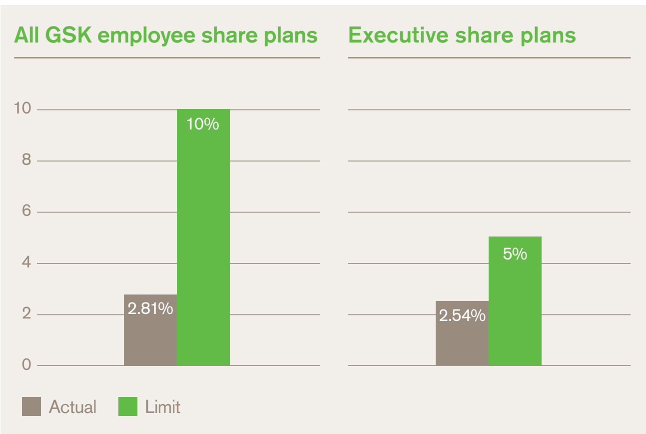
The Executive Directors participate in various all-employee share plans, including ShareSave and ShareReward.

The ShareSave Plan is an HM Revenue & Customs approved plan open to all UK employees. Participants may save up to £250 a month from their net salaries for a fixed term of three years and at the end of the savings period they have the option to buy GSK shares at a discount of up to 20% of the market price set at the launch of each savings contract. Sir Andrew Witty and Simon Dingemans each contribute £250 a month into the ShareSave Plan.

The ShareReward Plan is an HM Revenue & Customs approved plan open to all UK employees on the same terms. Participants contribute up to £125 a month from their gross salaries to purchase GSK shares and the company matches the number of GSK shares bought each month under this arrangement. Sir Andrew Witty and Simon Dingemans each contribute £125 a month to buy shares under the ShareReward Plan.

Dilution limits

All awards are made under plans which incorporate dilution limits consistent with the guidelines provided by the Investment Association (formerly provided by the Association of British Insurers). These limits are 10% in any rolling ten year period for all plans and 5% in any rolling ten year period for executive share plans. Estimated dilution from existing awards made over the last ten years up to 31 December 2014 is as follows:



Payments to past directors during 2014 (audited)

There were no payments to past directors during 2014.

Payments for loss of office during 2014 (audited)

There were no payments for loss of office to directors during 2014.

Share ownership requirements

To align the interests of executives with those of shareholders, executives are required to build up and maintain significant holdings of shares in GSK over time.

Executives are required to continue to satisfy these shareholding requirements for a minimum of 12 months following retirement from the company.

Current share ownership requirements (SOR) are set out in the table below:

	Share ownership requirement
CEO	4x base salary
Other Executive Directors	3x base salary
Other CET members	2x base salary

Executive Directors' shareholdings for the purpose of SOR as at 19 February 2015 and achievement of SOR, based upon an average share price for the 90 working days preceding that date, were as set out in the following table (audited):

	Holdings for SOR purposes as at			
	19 February 2015	31 December 2013	Increase in shareholding %	Achievement of SOR %
Sir Andrew Witty	846,470	566,142	50%	279%
Simon Dingemans	187,722	84,872	121%	125%
Dr Moncef Slaoui	488,978	383,079	28%	300%

Any outstanding share awards still subject to performance criteria or continued employment are not included in the shareholdings for the purpose of SOR.

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Pension (audited)

The arrangements for the current Executive Directors are set out in the table below.

Pension arrangements	
Sir Andrew Witty	Sir Andrew Witty is a member of the Glaxo Wellcome defined benefit pension plan with an accrual rate of 1/30th of final pensionable salary. This plan has been closed to new entrants since 2001. The section of the plan that Sir Andrew is a member of provides for a normal retirement age of 60 and a maximum pension value of 2/3rds of pensionable salary. Since 1 April 2013, pensionable earnings increases are limited to 2% per annum for all members, including Sir Andrew.
Simon Dingemans	Simon Dingemans is not a member of any GSK pension plan for pension contributions and instead receives a cash payment in lieu of pension of 20% of base salary in line with GSK's defined contribution pension plan rates. Simon Dingemans receives death in service and ill-health insurance that is provided as part of the pension plan. This has been included in his employee benefits on page 98.
Dr Moncef Slaoui	Dr Slaoui is a member of the US Cash Balance Pension Plan and the Supplemental Cash Balance Pension Plan which provides for an Executive Pension Credit. GSK makes annual contributions to Dr Slaoui's pension plans of 38% of his base salary. The plans provide a cash sum at retirement and the fund increases at an interest rate set annually in advance, based on the 30 year US Treasury bond rate. The plan has no entitlement to a spouse's pension or to pension increases. Dr Slaoui was an active member of the Belgium AG Insurance (ex-Fortis) Plan until 31 May 2006 and has been a deferred member since. This plan is a defined benefit plan with a lump sum payable at a normal retirement age of 60. There are no further company contributions to this plan. Dr Slaoui is also a member of the GSK 401(k) savings scheme open to all US employees and the Executive Supplemental Savings Plan (ESSP), a savings scheme open to executives to accrue benefits above US government limits imposed on the GSK 401(k) plan. Contributions to both plans are invested in a range of funds. The combined contribution rate under the plans is up to 6% (2% core contributions plus a match of up to 4%) of total base salary and bonus, less any bonus deferred under the Deferred Annual Bonus Plan.

The following table shows the breakdown of the pension values set out on page 97.

	Sir Andrew Witty		Simon Dingemans		Dr Moncef Slaoui	
Pension remuneration values	2014 £000	2013 £000	2014 £000	2013 £000	2014 000	2013 000
UK defined benefit	**703**	739	–	–	–	–
US defined benefit	–	–	–	–	**$157**	–
Belgian defined benefit	–	–	–	–	**€58**	€101
Employer cash contributions	–	–	**144**	140	**$131**	$127
Member contributions to defined benefit plans	**(32)**	(32)	–	–	–	–
Total pension remuneration value	**671**	707	**144**	140	**$365**	$266

a) The pension remuneration figures have been calculated in accordance with the methodology set out in the Remuneration Regulations. In calculating the defined benefit pension values for 2014, the difference between the accrued pension as at 31 December 2014 and the accrued pension as at 31 December 2013 increased by inflation (2.7% for UK defined benefit, 1.3% for US defined benefit,1.3% for Belgium defined benefit) has been multiplied by 20. Where this results in a negative value, this has been deemed to be zero. In calculating total values, amounts have been translated from Euros into US dollars using an exchange rate of 1.33 for 2014 and 1.38 for 2013.

b) For Sir Andrew, further details regarding the 2014 pension values are set out in the table below.

Sir Andrew Witty	Accrued pension as at 31 December 2014 (£ p.a.)	Accrued pension as at 31 December 2013 (£ p.a.)	Pension remuneration value for 2014 (£000)
UK – Funded	70,810	68,913	**1**
UK – Unfunded	613,521	563,193	**702**
Total	684,331	632,106	**703**

Sir Andrew joined GSK predecessor companies in 1991 and progressed through roles of increasing seniority within GSK until he was appointed CEO in May 2008. During this time, he built up pensionable service through the different tiers of the Glaxo Wellcome Pension Plan. His current pension entitlement is a product of his service and progression within GSK. Please note that the 2013 figures have had a small adjustment made to them, following a change to the inflationary measure used to value the Funded pension; the Total Pension number is unchanged.

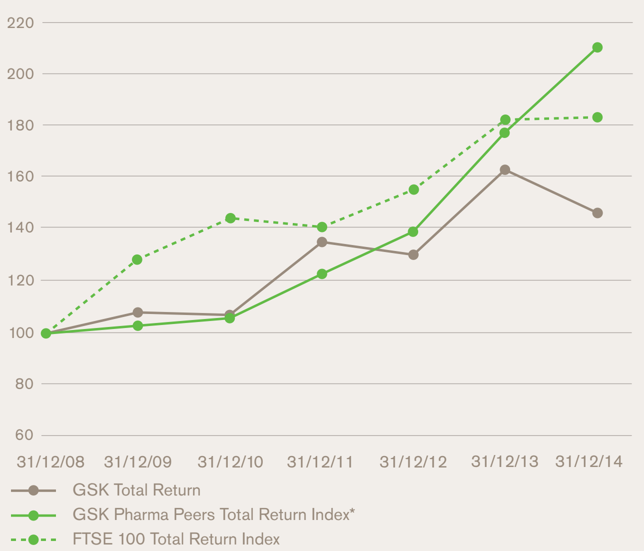
c) For Dr Moncef Slaoui, further details regarding the 2014 pension values are set out in the table below.

Dr Moncef Slaoui	Accrued pension as at 31 December 2014 (p.a.)	Accrued pension as at 31 December 2013 (p.a.)	Pension remuneration value for 2014 (000)
US – Funded	$12,310	$12,200	**–**
US – Unfunded	$337,157	$325,080	**$157**
Belgium – Funded	€88,000	€84,000	**€58**
US – 401(k) & ESSP	–	–	**$131**
Total			**$365**

Dr Slaoui joined GSK predecessor companies in 1988 and he progressed through a number of senior roles within GSK until he was appointed Chairman, Research & Development in June 2006 and then Chairman, Global Vaccines in October 2014. During this time, he has built up pensionable service in the Belgium AG Insurance (ex-Fortis) Plan and US Cash Balance Plan and Supplemental Pension Plan. Annual employer cash contributions were made to the 401(k) plan and Executive Supplemental Savings Plan (ESSP). His current pension entitlement is a product of his service and progression within GSK.

Performance graph and table

The following graph sets out the performance of the company relative to the FTSE 100 index, and to the pharmaceutical performance comparator group for the six-year period to 31 December 2014. The graph has been prepared in accordance with the Remuneration Regulations and is not an indication of the likely vesting of awards granted under any of the company's incentive plans. These indices were selected for comparison purposes as they reflect both the index of which GSK is a constituent and the industry in which it operates.



* This index comprises AstraZeneca, Bristol-Myers Squibb, Eli Lilly, Johnson & Johnson, Merck & Co, Novartis, Pfizer, Roche Holdings and Sanofi.

Remuneration table

	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000
CEO (Sir Andrew Witty)						
CEO single figure of remuneration	**3,891**	7,207	4,386	6,807	4,562	5,790
Annual bonus award[(1)] (% of maximum)	**42%**	88%	44%	100%	59%	100%
Vesting of LTI awards (% of maximum)	[(7)]**13.5%**	[(6)]31%	[(5)]24%	[(4)]70%	[(3)]35%	[(2)]35%

(1) 2009 and 2010 bonus amounts include amounts paid under the Operational Efficiency Bonus in place for those years. The overall maximum bonus receivable was subject to a limit of 200% of base salary.

(2) In respect of the 2007 PSP award. Sir Andrew also had an outstanding award over 195,500 share options, granted in 2007, which lapsed in full. These have not been included in the total vesting percentage due to the distorting effect of aggregating conditional shares and share options.

(3) In respect of the 2008 PSP award. Sir Andrew also had an outstanding award over 525,000 share options, granted in 2008, which lapsed in full. These have not been included in the total vesting percentage due to the distorting effect of aggregating conditional shares and share options.

(4) In respect of the three-year element of the 2009 PSP award.

(5) In respect of the four-year element of the 2009 PSP award, the three-year element of the 2010 PSP award and the 2010 DABP matching award.

(6) In respect of the four-year element of the 2010 PSP award, the three-year element of the 2011 PSP award and the 2011 DABP matching award.

(7) In respect of the 2012 PSP and DABP matching awards.

Percentage change in remuneration of CEO

	Sir Andrew Witty 2014 £m	Sir Andrew Witty % change	UK Employees % change
Salary	**1,087**	2.7%	2.5%
Benefits	**70**	5.5%	0%
Annual bonus	**917**	(51)%	(19)%

This reflects salary earned in, benefits received in and annual bonus earned in respect of 2014 compared with 2013. For the wider UK employee population, the salary increase includes the annual salary review as well as any additional changes in the year, e.g. on promotion. The 0% increase for benefits for UK employees reflects there being no change to benefits policies or levels during the year. It does not reflect any changes to the level of benefits an individual may have received as a result of a change in role, e.g. promotion. The UK population was considered to be the most relevant comparison as it most closely reflects the economic environment encountered by the CEO.

Relative importance of pay

The following table sets out the percentage changes in the Group's dividends paid to shareholders, share buy-back and total employee pay.

	2014 £m	2013 £m	% change
Total employee pay	**7,520**	7,591	(2)%
Dividends	**3,843**	3,680	4.4%
Share buyback	**238**	1,504	(85)%

The figures in the table above are as set out on pages 139 and 153. Dividends declared in respect of 2014 were £3,865 million (2013: £3,754 million), i.e. an increase of 2.95%. In determining specific share repurchase levels, the company considers the development of free cash flow during the year. Given the impact of the sustained strength of Sterling on free cash flow, the company suspended its share repurchase programme during 2014. Following the completion of the three-part Novartis transaction, GSK intends to return to shareholders £4 billion of the net proceeds. The company does not expect to make any ordinary share repurchases in 2015.

Total employee pay is for all Group employees globally.

External appointments for Executive Directors

The Board encourages Executive Directors to hold one external directorship once they have become established in their role, to broaden their experience and development, and help increase the pool of Non-Executive Director candidates. Any outside appointments are considered by the Nominations Committee to ensure they would not cause a conflict of interest and are then approved by the Chairman on behalf of the Board. It is the company's policy that remuneration earned from such appointments may be kept by the individual Executive Director.

During 2014, Dr Moncef Slaoui received $12,000 in relation to his membership of the Qatar Biomedical Research Institute Scientific Advisory Committee. He also earned a $400 honorarium for attending a board meeting of the Advisory Committee to the Director of National Institute of Health. There are no other external appointments for which he receives any remuneration. During 2014, Sir Andrew Witty and Simon Dingemans did not hold any external appointments for which they were remunerated.

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The Remuneration Committee

Role of the Committee
The role of the Committee is to set the company's remuneration policy so that GSK is able to recruit, retain and motivate its executives. The remuneration policy is regularly reviewed to ensure that it is consistent with the company's scale and scope of operations, supports the business strategy and growth plans and helps drive the creation of shareholder value.

Terms of reference
The Committee's full terms of reference are available on the company's website. The terms of reference, which are reviewed at least annually, were last revised in December 2014 to reflect best practice and corporate governance developments.

Governance
The Board considers all of the members of the Committee to be independent Non-Executive Directors in accordance with the UK Corporate Governance Code, with the exception of Sir Christopher Gent, Chairman of the company, who was considered independent on appointment.

The Committee met six times in scheduled meetings during 2014, with each member attending as follows:

Members	Committee member since	Attendance at full meetings during 2014
Tom de Swaan	20 May 2009	6/6
Dr Stephanie Burns	1 May 2013	6/6
Sir Christopher Gent	1 January 2007	6/6
Judy Lewent	1 January 2013	6/6
Sir Deryck Maughan	1 July 2012	5/6
Hans Wijers	10 October 2013	6/6

Sir Deryck Maughan was unable to attend one Committee meeting due to prior business commitments. Urs Rohner was appointed to the Committee on 1 January 2015, so did not attend any meetings during 2014.

In addition to the six scheduled meetings, the Committee met on a quorate basis on four occasions to approve the formal grant of long-term incentive awards to employees below the Corporate Executive Team, Deferred Investment awards, Share Value Plan awards and materials for use at the annual investor meetings.

Committee meetings usually include a closed session, during which only members of the Committee are present. Other individuals may also be invited to attend Committee meetings during the year. Executives and other Committee attendees are not involved in any decisions, and are not present at any discussions regarding their own remuneration.

Other attendees at Committee meetings include:

Attendee	Regular attendee	Attends as required
CEO		✓
CFO		✓
Head of Human Resources		✓
Head of Reward		✓
Company Secretary – Secretary to the Committee	✓	
Committee Adviser – Deloitte LLP	✓	

Adviser to the Committee
The Committee has access to external advice as required. The Committee carried out a formal review of the independent advisers to the Committee in 2013. As a result of this review, the Committee reappointed Deloitte LLP to provide it with independent advice on executive remuneration. The Committee Chairman agrees the protocols under which Deloitte provides advice and the Committee is satisfied that the advice they have received from Deloitte has been objective and independent.

Deloitte is a member of the Remuneration Consultants' Group and, as such, voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK. The code of conduct can be found at www.remunerationconsultantsgroup.com.

Deloitte provided independent commentary on matters under consideration by the Committee and updates on market practice and legislative requirements. Deloitte's fees for advice provided to the Committee in 2014 were £139,865. Fees were charged on a time and materials basis. Deloitte LLP also provided other consulting, tax and assurance services to GSK during the year. However, the Committee is satisfied that this does not compromise the independence of the advice they have received from Deloitte.

Towers Watson provided additional market data to the Committee.

Commitment to shareholders
The Committee engages in regular dialogue with shareholders and holds annual meetings with GSK's largest investors to discuss and take feedback on its remuneration policy. In particular, the Committee discusses any significant changes to the policy or the measures used to assess performance.

Shareholder votes on remuneration matters

2014 AGM	Total votes cast (Billion)	Total votes for (%)	Total votes against (%)	Votes withheld (Million)
Remuneration report	3.4	98.5	1.5	171
Remuneration policy	3.5	97.4	2.6	100

Principal activities and matters addressed during 2014

The Committee's principal activities and matters addressed during 2014 are set out below:

Month	Remuneration – Overall	Items specific to: Annual bonus	Items specific to: LTIs	Governance and other matters
January	▪ Approve executives' 2014 remuneration, including salaries of CET members and executives' 2014 LTI award levels ▪ Remuneration environment update	▪ Review and approve executives' 2013 bonuses ▪ Set CEO 2014 bonus objectives		▪ Review draft 2013 Remuneration report, New remuneration policy statement and shareholder feedback ▪ Private session for Committee members only
February			▪ Review LTI performance outcomes and approve vesting of outstanding 2010 LTI awards (2010-2013) and 2011 LTI awards (2011-2013) ▪ Approve LTI measures and targets for 2014 awards (2014-2016), and grant awards to Executive Directors and below	▪ Approve 2013 Remuneration report
March	▪ Remuneration environment update, including consideration of new reporting regulations	▪ Overview of bonuses for employees below CET		▪ Review shareholder feedback ▪ Set Committee's agenda for 2014 ▪ Private session for Committee members only
July	▪ Update on new remuneration reporting regulations, including early drafting for 2014 Remuneration report ▪ CET remuneration review ▪ Review of Executive Directors' pay competitiveness ▪ Review of Chairman and Deputy Chairman fees		▪ Review of LTI design (performance measures, comparator group and time horizons) ▪ Grant interim 2014 LTI awards (below executives)	▪ Review AGM feedback and external environment ▪ Approve Committee evaluation process ▪ Review implications of three-part Novartis transaction ▪ Private session for Committee members only
September			▪ Grant interim 2014 Share Value Plan awards (below executives)	
October	▪ Update on remuneration report disclosures		▪ Update on LTI vesting for 2012 awards (2012-2014)	▪ Update on remuneration report disclosures ▪ Agree key messages for annual investor meeting
November	▪ Draft messages and disclosures for 2014 performance pay			
		Annual meeting with investors		
December	▪ Annual benchmarking and competitiveness review ▪ Approve Executive Directors' salaries for 2015 ▪ Consider CET remuneration changes ▪ Papers provided to the Committee examining how the equivalent remuneration elements operate for employees below the CET		▪ Administrative changes to DABP	▪ Review feedback from investor meetings ▪ Review findings from Committee evaluation ▪ Review draft 2014 Remuneration report ▪ Update on implications of three-part Novartis transaction ▪ Corporate Governance update ▪ Private session for Committee members only

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Non-Executive Directors

Chairman and other Non-Executive Directors

The company aims to provide the Chairman and other Non-Executive Directors with fees that are competitive with those paid by other companies of equivalent size and complexity, subject to the limits contained in GSK's Articles of Association.

Chairman's fees

Sir Christopher Gent took up the role of Chairman in January 2005. The Chairman's fees were last increased in January 2013 from £675,000 to £710,000. £250,000 (or approximately 35%) of Sir Christopher's total fees for 2014 were delivered in shares, which are deferred until he steps down from the Board later in 2015.

Chairman Designate Sir Philip Hampton was appointed a Non-Executive Director with effect from 1 January 2015. Until he takes on the role of Deputy Chairman on 1 April 2015, he will receive the standard annual cash retainer for a Non-Executive Director of £85,000. When he becomes Deputy Chairman on 1 April 2015, he will receive fees of £350,000 per annum. On his appointment as Chairman from 1 September 2015 at the latest, he will receive fees of £700,000 per annum. He has elected to take 25% of his fees as GSK shares.

Non-Executive Director fees

Non-Executive Director fees were last increased in January 2013. There were no increases to the supplemental fees. A minimum of 25% of fees will continue to be delivered as shares deferred until the Non-Executive Director steps down from the Board.

The Non-Executive Directors' fees applying since 1 January 2013 are set out below:

	Per annum
Standard annual cash retainer fee	£85,000
Supplemental fees	
Chairman of the Audit & Risk Committee	£80,000
Senior Independent Director and Scientific/Medical Experts	£30,000
Chairmen of the Remuneration and Corporate Responsibility Committees†	£20,000
Non-Executive Director undertaking intercontinental travel to meetings	£7,500 per meeting

† Sir Christopher Gent is the Chairman of the Corporate Responsibility Committee, but does not receive the additional fee listed above.

Letters of appointment

The terms of engagement of the Non-Executive Directors are set out in letters of appointment which are available for inspection at the company's registered office and at the AGM. For each Non-Executive Director, his or her initial appointment and any subsequent re-appointment are subject to election and, thereafter, periodic re-election by shareholders.

The Non-Executive Directors' letters of appointment do not contain provision for notice periods or for compensation if their appointments are terminated.

The following table shows the date of the initial letter of appointment of each Non-Executive Director:

Non-Executive Director	Date of letter of appointment
Sir Christopher Gent	26 May 2004
Sir Philip Hampton	25 September 2014
Professor Sir Roy Anderson	28 September 2007
Dr Stephanie Burns	12 February 2007
Stacey Cartwright	3 March 2011
Lynn Elsenhans	3 May 2012
Judy Lewent	3 March 2011
Sir Deryck Maughan	26 May 2004
Dr Daniel Podolsky	3 July 2008
Urs Rohner	3 October 2014
Tom de Swaan	21 December 2005
Jing Ulrich	3 May 2012
Hans Wijers	29 January 2013

The table below (audited) sets out the value of fees and benefits received by the Non-Executive Directors in the form of cash and shares or ADS. Further details of the Non-Executive Directors' share allocation plan are set out on page 117.

Non-Executive Directors' emoluments (000) (audited)

	2014				2013			
	Fees				Fees			
	Cash	Shares/ADS	Benefits	Total	Cash	Shares/ADS	Benefits	Total
Professor Sir Roy Anderson	**£98**	**£32**	**£11**	**£141**	£103	£34	£15	£152
Dr Stephanie Burns	**$105**	**$105**	**$134**	**$344**	$86	$86	$72	$244
Stacey Cartwright	**£75**	**£25**	**£6**	**£106**	£81	£27	£5	£113
Lynn Elsenhans	**£13**	**£110**	**£90**	**£213**	£11	£104	£71	£186
Sir Christopher Gent(c)	**£460**	**£250**	**£67**	**£777**	£540	£170	£40	£750
Judy Lewent	**$255**	**$85**	**$262**	**$602**	$235	$78	$124	$437
Sir Deryck Maughan	**–**	**$247**	**$149**	**$396**	–	$205	$114	$319
Dr Daniel Podolsky	**$65**	**$194**	**$220**	**$479**	$58	$175	$119	$352
Tom de Swaan	**£84**	**£28**	**£30**	**£142**	£90	£30	£38	£158
Jing Ulrich	**$167**	**$56**	**$190**	**$413**	$157	$52	$182	$391
Hans Wijers(d)	**£75**	**£25**	**£19**	**£119**	£53	£18	£11	£82
Sir Robert Wilson(d)	**£22**	**£23**	**£10**	**£55**	£88	£29	£16	£133
Sir Crispin Davis(d)	**–**	**–**	**–**	**–**	–	£44	£11	£55

a) Benefits primarily consist of travel and subsistence costs incurred in the normal course of business, in relation to meetings on Board and Committee matters and other GSK-hosted events which are considered to be taxable. For overseas-based Non-Executive Directors, this includes travel to meetings in the UK.

b) Non-Executive Directors fees that are paid other than in GBP are converted using an exchange rate that is set annually based on the average rate for the last quarter of the year prior to payment. The rate is reviewed if it moves significantly during the year.

c) The amounts for benefits and total emoluments in respect of 2013 for Sir Christopher Gent have been restated, resulting in an increase of £16,000 over the amounts recorded in the 2013 Remuneration report.

d) Sir Crispin Davis retired from the Board on 1 May 2013 and Hans Wijers joined the Board from 1 April 2013. Sir Robert Wilson retired from the Board on 7 May 2014.

Directors' interests in shares (audited)

The following interests of the Directors of the company in office at 31 December 2014 and their connected persons are shown below.

	Total directors' interests as at			Total share plan interests as at 31 December 2014					
				Shares/ADS		Options			
	19 February 2015	31 December 2014	1 January 2014	[a]Unvested and not subject to performance	Unvested and subject to performance	[a]Unvested and not subject to performance	Unvested and subject to performance	Vested but not exercised	Exercised in the year
Executive Directors									
Shares									
Sir Andrew Witty[b, c, d, f, g]	846,470	**760,988**	566,142	–	1,400,056	151,264	150,488	89,993	229,481
Simon Dingemans[b, c, d, f]	187,722	**157,208**	84,872	–	588,050	67,021	66,257	–	–
Dr Moncef Slaoui[g]	27,806	**27,657**	53,089	–	–	–	–	68,520	26,800
ADS									
Dr Moncef Slaoui[c, d, e, h]	230,586	**196,133**	164,995	66,359	476,335	–	–	4,235	–
Non-Executive Directors									
Shares[j]									
Professor Sir Roy Anderson	20,424	**20,424**	17,254	20,424					
Dr Stephanie Burns	44	**44**	44	–					
Stacey Cartwright	6,286	**6,286**	4,367	6,165					
Sir Christopher Gent	132,575	**132,575**	109,404	132,575					
Tom de Swaan	27,331	**27,331**	24,059	27,331					
Hans Wijers	2,852	**2,852**	1,113	2,852					
ADS[j]									
Dr Stephanie Burns	17,355	**17,355**	14,284	17,290					
Lynn Elsenhans	9,657	**9,657**	5,620	8,657					
Judy Lewent	15,332	**15,332**	13,200	5,166					
Sir Deryck Maughan	43,537	**43,537**	36,198	43,537					
Dr Daniel Podolsky	31,515	**31,515**	25,876	31,515					
Jing Ulrich	3,056	**3,056**	1,809	2,718					

a) Unvested shares and ADS and unvested options held by Executive Directors which are not subject to performance reflect bonus deferrals under the DABP, ShareSave and Share Value Plan (SVP) awards.

b) Total directors' interests include shares purchased through the GlaxoSmithKline ShareReward Plan. During 2014, Sir Andrew Witty and Simon Dingemans were each awarded 99 shares under the plan. The balance of shares within the plan is as follows:

ShareReward Plan (Shares)	19 February 2015	31 December 2014	1 January 2014
Sir Andrew Witty	2,828	**2,758**	2,429
Simon Dingemans	882	**837**	604

Dr Moncef Slaoui is not eligible to participate in the ShareReward Plan.

c) Total directors' interests includes shares or ADS resulting from the deferral of bonus (and the subsequent re-investment of dividends) under the DABP. The totals shown in the table below include bonus deferrals, but exclude any unvested matching awards which are subject to ongoing performance criteria. The amounts represent the gross share and ADS balances prior to the sale of any shares or ADS to satisfy tax liabilities.

Deferred Annual Bonus Plan (Bonus deferrals)	19 February 2015	31 December 2014	1 January 2014
Sir Andrew Witty (Shares)	182,732	**150,488**	123,262
Simon Dingemans (Shares)	81,849	**66,257**	44,268
Dr Moncef Slaoui (ADS)	71,595	**58,769**	59,424

d) Total directors' interests at 19 February 2015 include any shares or ADS which vested due to performance under elements of the PSP (2012-2014 awards), less those sold to satisfy tax liabilities on the vested amounts (see pages 113 to 116 for further details).

e) For Dr Moncef Slaoui, total directors' interests include ADS purchased within the 401(k) Plan and the US Executive Supplemental Savings Plan (ESSP), and ADS awarded to Dr Slaoui's connected person under the SVP. The relevant balances are as follows:

Dr Moncef Slaoui (ADS)	19 February 2015	31 December 2014	1 January 2014
US Retirement Savings Plans	13,340	**13,045**	10,241
Share Value Plan	5,290	**7,590**	7,740

As an Executive Director, Dr Moncef Slaoui is not eligible to receive awards under the SVP. The SVP awards shown above reflect the holdings of Dr Slaoui's connected person, who is also an employee of GSK. The awards are subject to three-year vesting periods and vesting is contingent on continued employment within GSK. Any gains arising on vesting are not included in Dr Moncef Slaoui's total remuneration figures. During the year, his connected person was granted 2,300 ADS on 24 September 2014 at a grant price of $47.03 (face value of $108,169). Dr Slaoui's total share plan interests also include PSP awards held by his connected person. These awards are subject to performance criteria relevant to employees below the CET. As at 31 December 2014, his connected person held 6,218 ADS under the PSP, comprising awards made in 2012 (1,891 ADS), 2013 (2,214 ADS) and 2014 (2,113 ADS), all amounts including dividend re-investment.

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ShareSave Plan

f) For Sir Andrew Witty and Simon Dingemans, the unvested options not subject to performance include holdings of 776 and 764 respectively in the ShareSave Plan, in which they participate on the same terms as all other employees. No ShareSave awards were granted to Sir Andrew Witty during 2014. Simon Dingemans was granted 238 options under the plan on 29 October 2014. The remainder of unvested options not subject to performance relate to bonus deferrals structured as nil-cost options under the DABP.

Share Option Plan

g) For the Executive Directors, the following table provides details of vested but unexercised options as at 31 December 2014 under the Share Option Plan (SOP). GSK granted options under this plan to Executive Directors on an annual basis until 2009.

			Number of shares under option	
Date of grant	Lapse date	Exercise price	Sir Andrew Witty	Dr Moncef Slaoui
21.02.06	20.02.16	£14.68	89,993	68,520
			89,993	68,520

h) The ADS vested but unexercised options totalling 4,235 for Dr Moncef Slaoui represents the ADS options held by Dr Moncef Slaoui's connected person.

i) The following table sets out details of options (including nil-cost options under the DABP) exercised during 2014 by Executive Directors. Simon Dingemans did not exercise any options during the year (his first nil-cost options under the DABP will become exercisable in 2015).

Type of award	Date of grant	Number of shares under option	Date of exercise	Grant price	Market price at exercise	Gain on exercise (£000)
Sir Andrew Witty						
SOP	02.12.04	100,000	01.05.14	£11.23	£16.39	£516
SOP	02.12.04	77,500	23.10.14	£11.23	£13.85	£203
DABP – deferral	24.02.11	37,182	01.05.14	–	£16.27	£605
DABP – matching	24.02.11	14,799	01.05.14	–	£16.27	£241
		229,481				£1,565
Dr Moncef Slaoui						
SOP	02.12.04	26,800	24.10.14	£11.23	£14.17	£79

In respect of options under the SOP and the ShareSave plans, the remuneration receivable by an Executive Director is calculated on the date that the options first vest. The remuneration is the difference between the amount the Executive Director is required to pay to buy the shares or ADS and the total value of the shares or ADS on the vesting date. If the Executive Director chooses not to exercise the options on the vesting date, any subsequent increase or decrease in the amount realised will be due to movements in the share or ADS price between the vesting date and the date of exercise. This increase or decrease in value is the result of an investment decision by the Executive Director and, as such, is not recorded as remuneration. No options vested for Executive Directors during 2014.

In respect of nil-cost options under the DABP, the bonus which is deferred by the Director is recorded as remuneration (under annual bonus) for the year to which it relates. The gain recorded on exercise of the nil-cost option comprises this remuneration, the total of the amounts received in re-invested dividends prior to vesting and the gains or losses resulting from movements in the share price between the dates of grant and exercise for the initial bonus amount deferred and the dates of dividend reinvestment and exercise for the re-invested dividends.

For the matching element of the DABP, the remuneration of the Director is recorded in the year that the performance criteria end and represents the number of vested shares multiplied by the price at vesting. The gain recorded on exercise of the nil-cost option comprises the total of this remuneration and the gain or loss resulting from the movement in the share price between vesting and exercise.

For Sir Andrew Witty:

- The total gain of £719,050 following the exercise of 177,500 options granted under the SOP comprises remuneration of £nil in respect of 2007 (the share options granted on 2 December 2004 were subject to performance criteria for a three year period ended 2007 and vested on 20 February 2008 with a vesting price of £11.23) and an investment gain of £719,050.
- The gain of £604,951 recorded following the exercise of the 37,182 nil-cost options relating to the deferral of bonus earned in respect of 2010 comprises remuneration of £376,668 recorded in 2010 as annual bonus and a net gain of £228,283 relating to the re-investment of dividends prior to vesting and movements in the share price between grant and dividend re-investment dates and the exercise date.
- The gain of £240,780 recorded following the exercise of the 14,799 nil-cost options relating to the DABP matching award comprises remuneration of £249,067 recorded in 2013 in relation to the DABP (see page 113) and an investment loss of £8,287 relating to the movement in the share price between the vesting and exercise dates.

For Dr Moncef Slaoui:

- The total gain of £78,792 following the exercise of 26,800 options granted under the SOP comprises remuneration of £45,828 in respect of 2007 (these options vested in 2007) and an investment gain of £32,964.

j) For Non-Executive Directors, total interests include shares or ADS received as part or all of their fees under the Non-Executive Director Share Allocation Plan (see page 117 for further details and balances). Note that dividends received on shares or ADS under the plan during 2014 were converted into shares or ADS as at 31 December 2014.

Deferred Annual Bonus Plan matching awards

Deferred Annual Bonus Plan (DABP) matching awards are made annually to Executive Directors, based on the individual's mandatory deferral and voluntary bonus deferral election. The company will match shares or ADS up to one-for-one depending on the company's performance during a three-year performance period. Performance conditions and vesting levels are described on pages 102 to 104 of this report.

Awards to UK-based Executive Directors are made in the form of nil-cost options. Once an award vests, the UK-based Executive Director may choose to exercise the award at any time up to 10 years from the date of grant. Awards to US-based Executive Directors are made as conditional awards of ADS. The amount of remuneration receivable in respect of the matching shares or ADS is calculated using the share or ADS price on the date the relevant award vests. If the award vests after the date of the Remuneration report, the calculation is performed using the average share or ADS price over the last quarter of the financial year. If an Executive Director chooses not to exercise the nil-cost options on the vesting date, any subsequent increase or decrease in the amount realised will be due to movements in the share price between the vesting date and the date of exercise. This increase or decrease in value is the result of an investment decision and, as such, is not recorded as remuneration.

Dividends are reinvested on the nil-cost options or conditional awards of shares or ADS made to Executive Directors up to the date of vesting.

The following tables provide details for each Executive Director in respect of DABP matching awards. Market price at grant and at vesting represent the closing share prices on those dates.

Sir Andrew Witty – Shares					Performance period
	2011-2013	2012-2014	2013-2015	2014-2016	2015-2017
Market price at grant	£11.80	£14.12	£14.54	£16.43	£15.20
Unvested at 31 December 2013	36,746	54,266	32,250	–	–
Granted	–	–	–	57,060	–
Face value at grant (000)	–	–	–	£937	–
Dividends reinvested	436	2,879	1,711	2,322	–
Vested	(14,799)	–	–	–	–
Lapsed	(22,383)	–	–	–	–
Unvested at 31 December 2014	–	57,145	33,961	59,382	–
Granted		–	–	–	30,172
Face value at grant (000)		–	–	–	£459
Dividends reinvested		787	467	818	–
Vested*		–	–	–	–
Lapsed		(50,111)	–	–	–
Unvested at 19 February 2015		7,821	34,428	60,200	30,172

Vested shares		
Number of shares	14,799	7,821
Market price at vesting	£16.83	£14.14
Gain:	000	000
Remuneration for 2013	£249	–
Remuneration for 2014*	–	£111

* Due to vest on 9 March 2014. An estimated vesting price of £14.14 has been used for calculating the remuneration for 2014. The actual vesting price will be reported in the 2015 Remuneration report.

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Deferred Annual Bonus Plan matching awards continued

Simon Dingemans – Shares				Performance period
	2012-2014	2013-2015	2014-2016	2015-2017
Market price at grant	£14.12	£14.54	£16.43	£15.20
Unvested at 31 December 2013	32,056	12,212	–	–
Granted	–	–	18,876	–
Face value at grant (000)	–	–	£310	–
Dividends reinvested	1,699	647	767	–
Unvested at 31 December 2014	33,755	12,859	19,643	–
Granted	–	–	–	14,680
Face value at grant (000)	–	–	–	£223
Dividends reinvested	465	177	270	–
Vested*	–	–	–	–
Lapsed	(29,600)	–	–	–
Unvested at 19 February 2015	4,620	13,036	19,913	14,680

Vested shares	
Number of shares	4,620
Market price at vesting	£14.14
Gain:	000
Remuneration for 2014*	£65

* Due to vest on 9 March 2014. An estimated vesting price of £14.14 has been used for calculating the remuneration for 2014. The actual vesting price will be reported in the 2015 Remuneration report.

Dr Moncef Slaoui – ADS					Performance period
	2011-2013	2012-2014	2013-2015	2014-2016	2015-2017
Market price at grant	$38.22	$44.68	$44.27	$54.17	$46.25
Unvested at 31 December 2013	21,596	21,393	16,435	–	–
Granted	–	–	–	18,214	–
Face value at grant (000)	–	–	–	$987	–
Dividends reinvested	252	1,125	865	737	–
Vested	(8,696)	–	–	–	–
Lapsed	(13,152)	–	–	–	–
Unvested at 31 December 2014	–	22,518	17,300	18,951	–
Granted		–	–	–	11,973
Face value at grant (000)		–	–	–	$554
Dividends reinvested		327	251	275	–
Vested*		–	–	–	–
Lapsed		(19,760)	–	–	–
Unvested at 19 February 2015		3,085	17,551	19,266	11,973

Vested ADS		
Number of ADS	8,696	3,085
Market price at vesting	$55.75	$44.76
Gain:	000	000
Remuneration for 2013	$485	–
Remuneration for 2014*	–	$138

* Due to vest on 9 March 2014. An estimated vesting price of $44.76 has been used for calculating the remuneration for 2014. The actual vesting price will be reported in the 2015 Remuneration report.

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Performance Share Plan awards

Performance Share Plan (PSP) awards are made to Executive Directors on an annual basis. Under the terms of the PSP, the number of shares or ADS vesting is determined following the end of the relevant performance period and is dependent on GSK's performance during that period. Performance conditions and vesting levels are described on pages 102 to 104.

Dividends are reinvested on the performance shares or ADS awarded to executives throughout the performance period and up to the date of vesting. At vesting, UK participants receive the relevant number of shares and US participants may defer receipt of all or part of their vested awards. The amount of remuneration receivable in respect of performance shares is calculated using the share or ADS price on the date the relevant PSP award vests.

The PSP awards made to Sir Andrew Witty in 2012, 2013 and 2014 have three year performance periods. However, the deeds of award specify that 25% of the awards will be subject to a further two year vesting period (five years in total). During this two year period, there are no additional performance criteria and the awards will only lapse if Sir Andrew is dismissed for cause. The remuneration in respect of these awards will therefore be considered to be realised in full following the determination by the Remuneration Committee of the vesting levels of the initial 75% of the awards (i.e. full remuneration will be recognised at the end of the three-year performance period). For the 2015 awards, the whole of the award made to each Executive Director has a three year performance period, but will vest after five years. During the final two years of the vesting period, the award for each Director will only lapse if he is dismissed for cause. The remuneration in respect of the awards will therefore be recognised at the end of the three year performance period (i.e. in the 2017 Remuneration report).

The following tables provide details for each Executive Director in respect of PSP awards. Market price at grant and at vesting represent the closing share prices on those dates.

Sir Andrew Witty – Shares						Performance period
	2010-2013	2011-2013	2012-2014	2013-2015	2014-2016	2015-2017
Market price at grant	£12.04	£11.78	£14.12	£14.54	£16.43	£15.20
Unvested at 31 December 2013	150,919	488,247	483,464	453,620	–	–
Granted	–	–	–	–	397,066	–
Face value at grant (000)	–	–	–	–	£6,524	–
Dividends reinvested	1,795	5,808	25,664	24,079	16,163	–
Vested	–	(196,634)	–	–	–	–
Lapsed	(152,714)	(297,421)	–	–	–	–
Unvested at 31 December 2014	–	–	509,128	477,699	413,229	–
Granted			–	–	–	429,338
Face value at grant (000)			–	–	–	£6,526
Dividends reinvested			6,777	6,359	5,500	–
Vested			(69,650)	–	–	–
Lapsed			(446,255)	–	–	–
Unvested at 19 February 2015			–	484,058	418,729	429,338

Vested shares:			
Number of shares	–	196,634	69,650
Market price at vesting	£16.53	£16.53	£14.86
Gain:	000	000	000
Remuneration for 2013	–	£3,250	–
Remuneration for 2014	–	–	£1,035

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Performance Share Plan awards continued

Simon Dingemans – Shares	Performance period 2011-2013	2012-2014	2013-2015	2014-2016	2015-2017
Market price at grant	£11.78	£14.12	£14.54	£16.43	£15.20
Unvested at 31 December 2013	225,570	186,133	199,598	–	–
Granted	–	–	–	174,729	–
Face value at grant (000)	–	–	–	£2,871	–
Dividends reinvested	2,683	9,881	10,596	7,113	–
Vested	(90,845)	–	–	–	–
Lapsed	(137,408)	–	–	–	–
Unvested at 31 December 2014	–	196,014	210,194	181,842	–
Granted		–	–	–	188,930
Face value at grant (000)		–	–	–	£2,872
Dividends reinvested		2,609	2,798	2,420	–
Vested		(26,815)	–	–	–
Lapsed		(171,808)	–	–	–
Unvested at 19 February 2015		–	212,992	184,262	188,930

Vested shares:	2011-2013	2012-2014
Number of shares	90,845	26,815
Market price at vesting	£16.53	£14.86
Gain:	000	000
Remuneration for 2013	£1,502	–
Remuneration for 2014	–	£398

Dr Moncef Slaoui – ADS	Performance period 2010-2013	2011-2013	2012-2014	2013-2015	2015-2017	2015-2017
Market price at grant	$37.32	$38.13	$44.68	$44.27	$54.17	$46.25
Unvested at 31 December 2013	47,483	169,742	141,799	138,315	–	–
Granted	–	–	–		111,851	–
Face value at grant (000)	–	–	–		$6,059	–
Dividends reinvested	554	1,979	7,503	7,319	4,561	–
Vested	–	(68,345)	–	–	–	–
Lapsed	(48,037)	(103,376)	–	–	–	–
Unvested at 31 December 2014	–	–	149,302	145,634	116,412	–
Granted			–	–	–	131,005
Face value at grant (000)			–	–	–	$6,059
Dividends reinvested			2,119	2,067	1,652	–
Vested			(20,443)	–	–	–
Lapsed			(130,978)	–	–	–
Unvested at 19 February 2015			–	147,701	118,064	131,005

Vested ADS	2010-2013	2011-2013	2012-2014
Number of ADS	–	68,345	20,443
Market price at vesting	$55.06	$55.06	$45.95
Gain:	000	000	000
Remuneration for 2013	–	$3,763	–
Remuneration for 2014	–	–	$939

Non-Executive Directors' Share Allocation Plan

The table below sets out the accumulated number of shares or ADS held by the Non-Executive Directors as at 31 December 2013 and 2014 under the share allocation plan in relation to their fees received as Board members, together with movements in their accounts during the year.

					Number of shares or ADS	
Share allocation plan for Non-Executive Directors	Footnote	31 December 2014	Paid out	Dividends reinvested	Allocated & elected	31 December 2013
Shares						
Professor Sir Roy Anderson		**20,424**	–	1,003	2,167	17,254
Stacey Cartwright		**6,165**	–	256	1,663	4,246
Sir Christopher Gent		**132,575**	–	6,385	16,786	109,404
Tom de Swaan		**27,331**	–	1,390	1,882	24,059
Hans Wijers		**2,852**	–	76	1,663	1,113
Sir Robert Wilson	a	**–**	(26,151)	–	1,437	24,714
ADS						
Dr Stephanie Burns		**17,290**	–	886	2,185	14,219
Lynn Elsenhans		**8,657**	–	308	3,729	4,620
Judy Lewent		**5,166**	–	209	1,757	3,200
Sir Deryck Maughan		**43,537**	–	2,255	5,084	36,198
Dr Daniel Podolsky		**31,515**	–	1,614	4,025	25,876
Jing Ulrich		**2,718**	–	98	1,149	1,471

a) Sir Robert Wilson retired from the Board on 7 May 2014. He elected to receive his shares from the Non-Executive Directors' Share Allocation Plan immediately upon retiring from the Board. Dividend entitlements in respect of the Q3 and Q4 2013 and the Q1 2014 dividends were paid in cash in accordance with the plan rules.

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Directors and Senior Management

Further information is provided on compensation and interests of Directors and Senior Management as a group ('the group'). For this purpose, the group is defined as the Non-Executive and Executive Directors, other members of the Corporate Executive Team and the Company Secretary. For the financial year 2014, the following table sets out aggregate remuneration for the group for the periods during which they served in that capacity.

Remuneration for 2014	(£)
Total compensation paid	18,507,965
Aggregate increase in accrued pension benefits (net of inflation)	67,434
Aggregate payments to defined contribution schemes	808,286

During 2014, members of the group were awarded shares and ADS under the company's various share plans, as set out in the table below.

	Awards		Dividend reinvestment awards	
Awarded during 2014	Shares	ADS	Shares	ADS
Deferred Annual Bonus Plan	156,848	36,024	20,417	5,730
Performance Share Plan	1,287,752	269,757	221,990	53,093
Deferred Investment Awards[(a) (b)]	199,482	–	8,190	–
Share Value Plan[(b)]	12,265	2,300	–	–

At 19 February 2015, the group had the following interests in shares and ADS of the company. Holdings issued under the various executive share plans are described in Note 42 to the financial statements, 'Employee share schemes' on page 200.

Interests at 19 February 2015	Shares	ADS	Notes
Owned	1,560,796	368,017	
Unexercised options	490,740	40,115	
Deferred Annual Bonus Plan	1,088,308	245,182	
Performance Share Plan	4,557,469	830,845	
Deferred Investment Awards	240,974	–	(a),(b)
Share Value Plan	30,246	11,030	(b)

a) Notional shares and ADS.

b) Executive Directors are not eligible to receive Deferred Investment Awards or participate in the Share Value Plan.

Basis of preparation

The Remuneration report has been prepared in accordance with the Companies Act 2006 and The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the Regulations). In accordance with the Regulations, the following parts of the Annual report on remuneration are subject to audit: total remuneration figures for Executive Directors, including further details for each element of remuneration (salary, benefits, annual bonus, long-term incentive awards and pension); Non-Executive Directors' fees and emoluments received in the year; Directors' interests in shares, including interests in GSK share plans; payments to past directors; payments for loss of office; and share ownership requirements and holdings, for which the opinion thereon is expressed on page 135. The remaining sections of the Remuneration report are not subject to audit nor are the pages referred to from within the audited sections.

The Remuneration report has been approved by the Board of Directors and signed on its behalf by

Tom de Swaan
Remuneration Committee Chairman
26 February 2015

2014 Remuneration policy report

The company's Remuneration policy report was approved on 7 May 2014 at GSK's Annual General Meeting and received an overwhelming vote in favour from shareholders. It will remain in place until another policy is presented to and approved by shareholders. No changes have been made to the policy, however, certain confirmatory statements on how we operate the policy have been made public which are described on pages 121 and 123 of this report. The Committee is satisfied that the refinements would not provide for any additional payments above that permitted by the approved policy, and are in line with best practice and in the interests of shareholders. A copy of the shareholder approved policy is available at **www.gsk.com** in the Investors section.

The total remuneration for each Executive Director comprises the following elements:

Salary	+	Benefits	+	Annual bonus	+	Value earned from long-term incentive awards	+	Pension	=	Total remuneration*

* The Committee may, in specific circumstances and in line with stated principles, apply clawback/malus as it determines appropriate.

Future policy table

The company's Remuneration policy from 7 May 2014 in respect of each of the above elements is outlined in the table below.

Salary

Purpose and link to strategy
To provide a core reward for the role.

Set at a level appropriate to secure and retain high calibre individuals needed to deliver the Group's strategic priorities.

Operation
Individual's role, experience and performance and independently sourced data for relevant comparator groups considered when determining salary levels.

Salary increases typically take effect in the first quarter of each year.

Salaries are normally paid in the currency of the Executive Director's home country.

Opportunity
There is no formal maximum limit, however, ordinarily, salary increases will be broadly in line with the average increases for the wider GSK workforce.

However, increases may be higher to reflect a change in the scope of the individual's role, responsibilities or experience. Salary adjustments may also reflect wider market conditions in the geography in which the individual operates.

Salary levels for 2014 are set out on page 98 of the 2013 Annual Report.

Performance measures
The overall performance of the individual is a key consideration when determining salary increases.

Benefits

Purpose and link to strategy
Levels are set to recruit and retain high calibre individuals to execute the business strategy.

Operation
Executive Directors are eligible to receive benefits in line with the policy for other employees which may vary by location. These include car allowances, healthcare, life assurance/death in service (where not provided as part of the individual's pension arrangements), personal financial advice and contractual post-retirement benefits. Executive Directors are also eligible to participate in all-employee share schemes (e.g. ShareSave and ShareReward Plan), under which they are subject to the same terms as all other employees.

In order to recognise the high business and travel requirements of the role, Executive Directors are also entitled to car travel and may be accompanied by their spouse/partner on business trips. Other benefits include expenses incurred in the ordinary course of business, which are deemed to be taxable benefits on the individual.

Benefit provision is tailored to reflect market practice in the geography in which the Executive Director is based and different policies may apply if current or future Executive Directors are based in a different country.

Opportunity
There is no formal maximum limit as benefits costs can fluctuate depending on changes in provider cost and individual circumstances.

Details of current benefits and costs are set out in the Annual Report on Remuneration.

Performance measures
None.

International assignment policy

Purpose and link to strategy
GSK may require Executive Directors to relocate in order to meet business requirements.

Operation
In line with the policy for other employees, secondment and travel expenses are provided for executives on overseas placement to facilitate the relocation process and to provide a continued standard of living while on assignment.

International assignment allowances cover: relocation costs; accommodation based on size of family with appropriate security; location allowance; relocation-specific tax and financial advice; school fees; and tax equalisation.

Opportunity
Relocation benefits are dependent on a number of factors such as home and host country, family size and duration of the assignment.

It is therefore not possible to provide typical values or limits.

Performance measures
None.

2014 Remuneration policy report *continued*

Pension

Purpose and link to strategy
Pension arrangements provide a competitive level of retirement income.

Operation
Pension arrangements are structured in accordance with the plans operated in the country in which the individual is likely to retire. Where the individual chooses not to become a member of the pension plan, cash in lieu of the relevant pension contribution is paid instead.

New Executive Directors in the UK will be entitled either to join the defined contribution pension plan or to receive a cash payment in lieu of pension contribution.

Where an individual is a member of a GSK legacy defined benefit plan, a defined contribution plan or an alternative pension plan arrangement and is subsequently appointed to the Board, he or she may remain a member of that plan.

Opportunity
Pension arrangements for existing Executive Directors are as follows:

Sir Andrew Witty is a member of the legacy Glaxo Wellcome defined benefit plan with an accrual rate of 1/30th of final pensionable salary per annum. From 1 April 2013, pensionable earnings increases are limited to 2% per annum for all members, including Sir Andrew Witty.

Simon Dingemans is not a member of any GSK pension plan for pension contributions and instead receives a cash payment of 20% of salary in lieu of pension contribution.

Dr Moncef Slaoui is a member of the US Cash Balance Pension Plans, the GSK 401(k) plan and the Executive Supplemental Savings Plan. He is also a deferred member of the Belgium Fortis Plan.

The policy for a new external recruit is:

UK:

- 20% of salary contribution to defined contribution plan and further 5% in matched contributions in line with the policy for other members of the plan; or
- 20% of salary cash payment in lieu of pension contribution.

US:

Eligible for the same benefits as other US senior executives:

- Cash Balance Pension Plan and Supplemental Cash Balance Pension Plan, including Executive Pension Credit, provide maximum contribution of 38% of base salary across all pension plans.
- GSK 401(k) plan (formerly the US Retirement Savings Plan) and the Executive Supplemental Savings Plan with core contributions of 2% of salary and bonus and matched contributions of 4% of salary and bonus.

Global:

- Eligible for appropriate equivalent arrangement not in excess of the US/UK arrangements.

Performance measures
None

Annual bonus

Purpose and link to strategy
To incentivise and recognise execution of the business strategy on an annual basis.

Rewards the achievement of stretching annual financial and strategic business targets and delivery of personal objectives.

Operation
Financial, operational and business targets are set at the start of the year by the Committee and bonus levels are determined by the Committee based on performance against those targets.

Individual objectives are set at the start of the year by the Committee and performance against objectives is assessed by the Committee.

Executive Directors are required to defer 25% of any bonus earned into shares, or ADS as appropriate, for three years. They may defer up to an additional 25% of bonus earned, i.e. up to an overall maximum deferral of 50%. Deferred shares vest at the end of the three year performance period.

Deferred bonus shares are eligible for dividend equivalents up to the date of vesting.

The Committee may apply judgement in making appropriate adjustments to individual annual bonus amounts.

Clawback and/or malus provisions apply as described on page 119 of the 2013 Annual Report.

Opportunity
The threshold and maximum bonus opportunities for Executive Directors are as follows:

	Threshold bonus as a % of base salary	Maximum bonus as a % of base salary
CEO	40	200
CFO	26	180
Chairman, Global R&D & Vaccines	27	200

Performance measures
Based on financial targets and individual performance objectives.

25% based on core Group profit before interest and tax for all Executive Directors. For the CEO and CFO, the balance is based on core Group operating profit. For other Executive Directors, the balance is based on relevant business unit performance.

Individual performance objectives
A multiplier, based on the achievement of individual performance targets, is applied to the bonus awarded for performance against the financial or operational targets.

Deferred Annual Bonus Plan (DABP) and Performance Share Plan (PSP)

Purpose and link to strategy

To incentivise and recognise delivery of the longer term business priorities, financial growth and increases in shareholder value compared to other pharmaceutical companies.

In addition, to provide alignment with shareholder interests, a retention element, to encourage long-term shareholding and discourage excessive risk taking.

Operation

DABP

Deferred shares may be matched subject to the achievement of performance conditions over three years. Matching awards may be conditional shares or nil-cost options and are eligible for dividend equivalents in respect of the performance period.

PSP

Conditional awards are made annually with vesting dependent on the achievement of performance conditions over three years.

From 2015 awards onwards, vested awards must be held for a further two years, i.e. five years in total, prior to release. 25% of the CEO's 2012, 2013 and 2014 PSP awards are subject to an additional two-year vesting period.

Awards are eligible for dividend equivalents up to the date of vesting.

Performance targets for the DABP and PSP are set at the start of each performance period.

Clawback and/or malus provisions apply as described below.

Opportunity

DABP

Maximum bonus deferral of 50% of annual bonus (25% mandatory and up to an additional 25% voluntary).

Maximum matching opportunity level is on a one share for one share basis subject to performance criteria over three years.

PSP

The normal maximum award limit is six times base salary per annum on the maximum initial value of performance shares that may be granted under the PSP to an individual in any one year.

The PSP rules allow for the Committee to make awards of more than 600% of salary in exceptional circumstances.

Current award levels for each of the Executive Directors are as follows:

	% of salary
CEO	600
CFO	400
Chairman, Global R&D & Vaccines	500

A confirmatory statement was issued in April 2014 to state that the flexibility in exceptional circumstances, will only be used in relation to external recruits. Further details are set out in the approach to recruitment section below.

Performance measures

Three equally weighted performance measures:

- R&D new product performance*
- Adjusted free cash flow*
- Relative TSR†

* 25% vests at threshold up to 100% for maximum performance

† Against comparator group currently comprising GSK and nine other global pharmaceutical companies, with 30% vesting at median, rising to 100% vesting for upper quartile performance.

For details of unvested 2012, 2013 and 2014 awards, see pages 102 and 103, and pages 112 to 114 of the 2013 Annual Report.

Clawback and malus

With effect from the 2013 annual bonus (payable in 2014), Executive Directors are required to defer a minimum of 25% of their annual bonus into the DABP. In the event of a 'triggering event' (eg significant misconduct by way of violation of regulation, law, or a significant GSK policy, such as Code of Conduct) the company will have the ability to claw back up to three years' annual and deferred bonuses as well as vested and unvested LTIs. A separate Recoupment Committee has been established to investigate relevant claims of misconduct.

Additionally, where there has been continuity of responsibility between initiation of an adverse event and its emergence as a problem, the adverse event should be taken into account in assessing annual bonus awards and LTI vesting levels in the year the problem is identified and for future periods. The Committee may make appropriate adjustments to individual annual bonuses as well as grant and vesting levels of LTI awards to reflect this.

2014 Remuneration policy report
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Long-term incentive measures

The Committee has selected three equally weighted performance measures to focus Executive Directors' long-term remuneration on the delivery of GSK's key strategic priorities. From 2014, PSP and DABP awards made to Executive Directors are based on R&D new product performance, adjusted free cash flow and relative TSR.

In addition to setting robust targets, the Committee has implemented a number of safeguards to ensure the targets are met in a sustainable way and any performance reflects genuine achievement against targets and therefore represents the delivery of value for shareholders.

For each performance measure, the impact of any acquisition or divestment will be quantified and adjusted for after the event. Any major adjustment in the calculation of performance measures will be disclosed to shareholders on vesting. The principal safeguards are detailed under each measure below. The Chairman of the Audit & Risk Committee and other members, who are also members of the Remuneration Committee, provide input on the Audit & Risk Committee's review of the Group's performance and oversight of any risk factors relevant to remuneration decisions.

The rationale behind each performance measure and how it is calculated are as follows (for vesting schedules please see page 103 of the 2013 Annual Report on Remuneration):

Performance measure	Rationale	Calculation methodology
R&D new product performance	**Recognises the importance of R&D to future business growth** One of the key indicators used to assess performance in the pharmaceutical industry is the strength of a company's product pipeline. The R&D new product performance measure recognises the importance of R&D to future business growth and has been included as a measure in order to incentivise R&D performance and drive the development and sales of new products. The Committee believes that it is a robust and appropriate measure as it reflects actual delivery from the pipeline and launch excellence.	The target is based on sales of new products launched in the performance period and the preceding two years. The aggregate three-year revenue target should reflect growth on historic performance. Vesting may be reduced if insufficient progress has been made during the performance period towards GSK's target return on R&D investment. The Committee recognises that, from time to time, it may be appropriate for the company to respond to an emerging pandemic, as this supports GSK's ethical responsibilities and values. The impact of such revenue will be included, unless the Committee considers that this did not add to shareholder value and provided that underlying performance was sufficiently positive.
Adjusted free cash flow performance	**Recognises the importance of effective working capital and cash management** The use of cash flow as a performance measure is intended to recognise the importance of effective working capital management and of generating cash from assets for future value-creating investments and for returns to shareholders.	Aggregate three-year adjusted free cash flow target. Adjustments may be made for materially distorting items which may include exchange rate movements, major legal and taxation settlements and special pension contributions.
Relative TSR performance	**Focuses on delivery of value to shareholders** The Committee recognises that the delivery of value to shareholders is a key priority. Relative total shareholder return against a peer group of global pharmaceutical companies was selected in order to closely align the interests of Executive Directors with those of our investors. The Committee regularly reviews the composition of the TSR comparator group.	Relative TSR is measured over three years, using a 12-month averaging period. TSR is measured in local currency.

Annual bonus measures

The annual bonus is designed to drive the achievement of GSK's annual financial and strategic business targets and the delivery of personal objectives.

The majority of the annual bonus opportunity is based on a formal review of performance against stretching financial targets. This outcome is then adjusted to reflect individual performance by applying an individual performance multiplier. For reasons of commercial sensitivity, specific personal objectives are kept confidential.

Financial performance	Individual performance
The Committee believes that it is important for the majority of the CEO and the CFO's financial targets to be based on core Group operating profit with a smaller element based on core Group profit before interest and tax to reflect their wider responsibility for driving profitable investments in associates and joint ventures. Bonus measures for R&D employees, including Dr Moncef Slaoui, are linked to pipeline performance. A robust governance structure has been established to ensure that the bonus payable fairly reflects R&D productivity and performance. To recognise Dr Moncef Slaoui's current dual responsibility for Global R&D & Vaccines, an element of his bonus is currently based on Vaccines performance. Consistent with the other Executive Directors, an element of his bonus is also currently based on core Group profit before interest and tax.	**CEO** Individual performance objectives for Sir Andrew Witty are set by the Board in January each year. The Board focuses on the strategic priorities that have been developed for the Group. Following the end of the financial year, the Board reviews his performance generally and against the set objectives to determine the appropriate bonus payable for his performance. **Other Executive Directors** The CEO sets individual objectives for the other Executive Directors in line with company strategy and makes recommendations to the Committee regarding their performance against those objectives at the end of the year. Those recommendations are then considered by the Committee before it determines the level of bonuses payable.

Approach to recruitment remuneration

The Committee determines the remuneration package of new Executive Directors on a case-by-case basis depending on the role, the market from which they will operate and their experience. Total remuneration levels will be set by reference to a relevant pay comparator group and, where appropriate, will allow for future development in the role.

It is expected that new Executive Directors will participate in short and long-term incentive plans on the same basis as existing directors. However, in exceptional circumstances, the Committee reserves the flexibility to set the incentive limit for a new Executive Director at up to an additional 50% of the existing limits.

The Committee retains this flexibility in recognition of the high levels of variable pay in GSK's global pharmaceutical competitors. However, the Committee will only use this flexibility when it is considered to be in the best interests of the company and its investors.

A confirmatory statement was issued in April 2014 to state that the Committee 'anticipates that the ability to grant awards under the PSP of more than six times salary in exceptional circumstances would only be used for the recruitment of an Executive Director from outside GSK'. The limit is as set out above (i.e. PSP awards of up to a maximum of nine times salary).

Pension arrangements for external appointments as an Executive Director will be as set out in the remuneration policy table on page 118 of the 2013 Annual Report.

Other benefits will be provided in line with the policy for existing Executive Directors.

Where required to meet business needs, relocation support will be provided in line with company policy.

For any internal appointments, entitlements under existing remuneration elements will continue, including pension entitlements and any outstanding awards. However, where not already the case, internal appointments will be required to move to Executive Director contractual terms, including termination provisions.

The Committee is mindful of the sensitivity relating to recruitment packages and, in particular, the 'buying out' of rights relating to previous employment and sign-on payments. It will therefore seek to minimise such arrangements. However, in certain circumstances, to enable the recruitment of exceptional talent, the Committee may determine that such arrangements are in the best interests of the company and its shareholders. Such arrangements will, where possible, be on a like-for-like basis with the forfeited awards. Arrangements will therefore vary depending on the plans and arrangements put in place by the previous employer and may be in the form of cash or shares and may or may not be subject to performance conditions. Explanations will be provided where payments are made either as compensation for previous remuneration forfeited or as a sign-on payment.

The remuneration arrangements for any newly appointed Executive Director will be disclosed as soon as practicable after the appointment.

The following policy and principles apply to the roles of Chairman and Non-Executive Director.

Chairman
Fees will be set at a level that is competitive with those paid by other companies of equivalent size and complexity. Fees will be paid partly in shares.

Non-Executive Directors
Fee levels for new Non-Executive Directors will be set on the same basis as for existing Non-Executive Directors of the company. Subject to local laws and regulations, fees will be paid partly in shares.

In the event of a Non-Executive Director with a different role and responsibilities being appointed, fee levels will be benchmarked and set by reference to comparable roles in companies of equivalent size and complexity.

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Loss of office payment policy

The following table sets out the contractual framework for Executive Directors. The terms specifically relating to termination are set out in more detail below.

Policy	
Duration of contracts	The company does not have a policy of fixed term contracts. Generally, contracts for new appointments will expire in line with the applicable policy on retirement age, which since 2009 has been 65. Contracts for existing Executive Directors will expire on the dates shown on page 123 of the 2013 Annual Report.
Notice period	Notice period on termination by employing company or Executive Director is 12 calendar months.
Mitigation	The ability to impose a 12-month non-compete period (and a non-solicitation restriction) on an Executive Director is considered important by the company to have the ability to protect the Group's intellectual property and staff. In light of this, the Committee believes that it would not be appropriate to provide for mitigation in the contracts.

Termination of employment

In the event that an Executive Director's employment with the company terminates, the following policies and payments will apply.

Element of Remuneration	Loss of office payment policy
Termination payment	**Termination by notice:** 12 months annual salary payable on termination by the company (pro-rated where part of the notice period is worked). No termination payment is made in respect of any part of a notice period that extends beyond the contract expiry date. A bonus element is not normally included in the termination payment. However, the terms of the contracts seek to balance commercial imperatives and best practice. If the company enforces the non-compete clause for the current CEO and Chairman, Global R&D and Vaccines, up to 12 months on-target bonus will be payable. **Redundancy:** As above, for termination by notice. In the UK, only statutory redundancy pay will apply. In the US, general severance policy does not apply. **Retirement, death and ill-health, injury or disability:** No termination payment.
LTI awards	PSP and DABP matching awards are governed by the Plan Rules as approved by shareholders. **Termination by notice:** Unvested awards lapse. **Redundancy and retirement:** Generally, awards vest over the original timescales, subject to the original performance conditions. Awards made in the last 12 months are forfeited. **Death and ill-health, injury or disability:** Generally, awards will vest following the end of the financial year, normally taking into account performance to that date. Awards may be pro-rated for time. In the event of a change of control, PSP and DABP matching awards will vest, taking into account performance to date and normally taking into account the proportion of the performance period that has elapsed. Alternatively, the awards may be exchanged for new awards.
Annual bonus	**Termination by notice by individual:** If an individual serves notice and the termination date falls before 31 December, the bonus is forfeited. **Termination by notice by the company, redundancy, retirement, death and ill-health, injury or disability:** If the termination date falls during the financial year, eligible for pro-rated on-target bonus (if employed on 31 December, bonus payable based on actual results).
DABP deferred bonus awards	**Termination by notice:** Deferred shares vest in full on the date of termination. **Redundancy, retirement, death and ill-health, injury or disability:** Generally, deferred shares vest in full at the end of the financial year in which the termination date falls.
Benefits	Generally, benefits will continue to apply until the termination date. **Termination by notice by the company and retirement (US executives):** In line with the policy applicable to US senior executives, the Chairman, Global R&D & Vaccines may become eligible, at a future date, to receive continuing medical and dental insurance after termination/retirement.

Termination by mutual agreement: In certain circumstances it can be in the best interests of the company for the Board to manage proactively succession planning and the development of the senior talent pipeline. In such circumstances, the Board may therefore agree that an executive's departure will be by mutual agreement. In order for this to apply, the Committee will need to be satisfied that the executive has demonstrated performance in line with expectations, where required they should have contributed to an orderly succession, and they should have completed at least 20 years' service with the Group on the termination date. In the case of an Executive Director, they would then be treated as a 'good leaver' for the purposes of GSK's long-term incentive plans. If the termination date falls during the financial year, they would be eligible for a pro-rated on-target bonus and if they are employed on 31 December, the bonus payable would be based on actual results. In the case of the CEO, as a member of the UK defined benefit pension scheme, his pension would then be payable from the later of his termination date and age 55 without actuarial reduction.

The Committee does not anticipate the exercise of discretion provided by the PSP and DABP plan rules in respect of termination payments. However, there may be unforeseen circumstances where this is in the best interests of the company and its shareholders. Where it is necessary to exercise discretion, explanations will be provided.

Where an Executive Director leaves the company, the Committee will carry out an assessment of the individual's performance and conduct over the time in role. If it is determined that the individual's performance or conduct was contrary to the legitimate expectations of the company, the Committee reserves the right to apply appropriate mechanisms such as 'clawback' (see page 119 of the 2013 Annual Report), or reduction or lapsing of outstanding incentive awards ('malus'), to ensure that any termination payments are in the best interests of the company and its shareholders.

In the case of termination for cause, all payments and unvested awards are forfeited except shares deferred under the DABP (which vest in full on the date of termination) and accrued salary and expenses.

Service contracts

The table below sets out the relevant dates of the current Executive Directors' service contracts, which are available for review at the company's registered office during office hours.

	Date of contract	Effective date	Expiry date	Notes
Sir Andrew Witty	18.06.08	22.05.08	31.08.24	Contract amended on 04.02.10 to remove entitlement to bonus on termination
Simon Dingemans	08.09.10	04.01.11	30.04.28	
Dr Moncef Slaoui	21.12.10	21.12.10	01.08.19	Contract replaced on 21.12.10, principally to remove entitlement to bonus on termination

Differences between remuneration policy for Executive Directors and other employees

When setting remuneration levels for the Executive Directors, the Committee considers the prevailing market conditions, the competitive environment (through comparison with the remuneration of executives at companies of similar size, complexity and international reach) and the positioning and relativities of pay and employment conditions across the broader GSK workforce.

In particular, the Committee considers the range of base salary rises for the workforces of those parts of GSK where the CEO, CFO and Chairman, Global R&D & Vaccines are employed. This is considered to be the most relevant comparison as these populations reflect most closely the economic environments encountered by the individuals.

The same principles apply to the remuneration policy for Executive Directors and other employees although the remuneration offered to Executive Directors under this policy has a stronger emphasis on performance-related pay than that offered to other employees of the Group.

- Salary and benefits (including pension) are tailored to the local market.
- The annual bonus plan applies to the wider employee population and is based on business and individual performance.
- A combination of performance-related and restricted share plans applies to the wider employee population.
- All-employee share plans are available to employees in the UK, including the HM Revenue & Customs approved UK ShareSave and ShareReward Plans.

The company conducts regular employee surveys which include feedback on remuneration matters.

In the wider organisation, we have aligned our performance and reward systems with our values and introduced a new performance system in 2014 that formally evaluates employees on both 'what' they need to do and 'how' they do it. Also, for our most senior people we dis-incentivise unethical working practices using a 'clawback' mechanism that allows us to recover performance-related pay.

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Scenarios for future total remuneration

The charts opposite provide illustrations of the future total remuneration for each of the Executive Directors in respect of the remuneration opportunity granted to each of them in 2014 under the Policy. A range of potential outcomes is provided for each Executive Director and the underlying assumptions are set out below.

All scenarios:

- 2014 base salary has been used.
- 2013 benefits and pension figures have been used, i.e. based on actual amounts received in 2013 in respect of the ongoing policy.
- Each Executive Director is assumed to defer 50% of their annual bonus (the maximum permitted amount) and receive the corresponding matching award under the DABP (included within the value of LTI awards).
- The amounts shown under value of LTI awards for the DABP and PSP are based on the bonus opportunity and the relevant multiples of 2014 salary respectively. They do not include amounts in respect of dividends reinvested and do not factor in changes to share price over the vesting period.

Fixed:

- None of the pay for performance (annual bonus and LTI) would be payable.

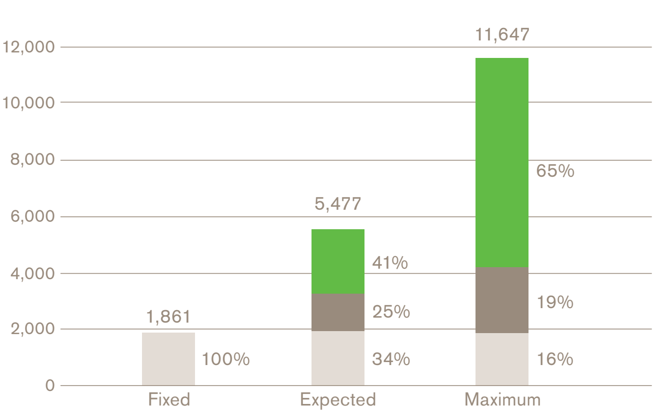
Expected:

- For the annual bonus, it is assumed that target financial performance is achieved, and the performance of each Executive Director would result in an individual performance multiplier of 100% (i.e. no increase to the financial performance element of the bonus has been applied). This results in an assumed bonus of 125%, 80% and 85% of salary for Sir Andrew Witty, Simon Dingemans and Dr Moncef Slaoui respectively.
- For the LTI awards, threshold levels of vesting are assumed.

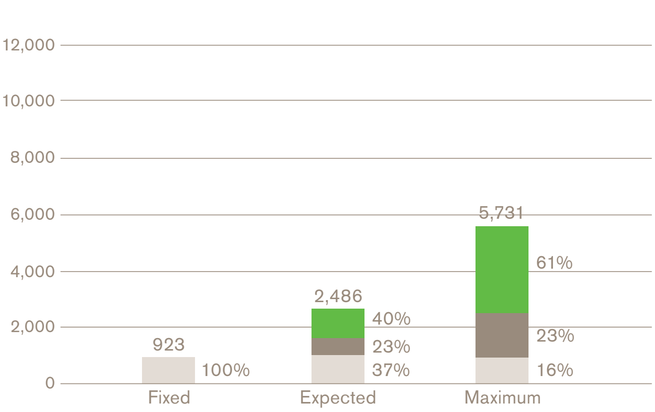
Maximum:

- It is assumed that the annual bonus would be payable at the maximum level and that the awards under the DABP and PSP would vest in full.

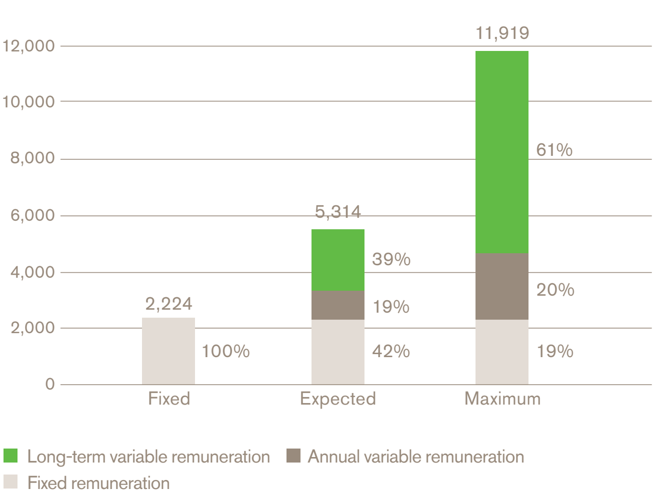
CEO (£000)



CFO (£000)



Chairman, Global R&D & Vaccines($000)



Non-Executive Director remuneration policy

Element	Purpose and link to strategy	Overview
Chairman's fee	To provide an inclusive flat rate fee that is competitive with those paid by other companies of equivalent size and complexity subject to the limits contained in GSK's Articles of Association.	There is no formal maximum, however, fees are reviewed annually and set by reference to a review of the Chairman's performance and independently sourced market data. The Remuneration Committee is responsible for evaluating and making recommendations to the Board on the fees payable to the Chairman. The Chairman does not participate in discussions in respect of his fees. Fees can be paid in a combination of cash and/or GSK shares or ADS. See further details of GSK's Non-Executive Director's share allocation plan below.
Basic fee		There is no formal maximum, however, fees are reviewed annually and set by reference to independently sourced market data. The Chairman and CEO are responsible for evaluating and making recommendations to the Board on the fees payable to the company's Non-Executive Directors. A minimum of 25% is delivered in the form of GSK shares or ADS. See further details of GSK's Non-Executive Director's share allocation plan below.
Supplemental fees	To provide additional compensation for Non-Executive Directors (excluding the Chairman) taking on additional Board responsibilities or undertaking intercontinental travel to meetings.	Additional fees for Committee Chairmen, intercontinental travel and the Senior Independent Director. Current fee levels are set out on page 109 of the 2013 Annual Report on Remuneration.
Benefits	To facilitate execution of responsibilities and duties required by the role.	Travel and subsistence costs for Non-Executive Directors are incurred in the normal course of business in relation to meetings on Board and Committee matters and other GSK-hosted events. For overseas-based Non-Executive Directors, this includes travel to meetings in the UK. Non-Executive Directors may from time to time be accompanied by their spouse or partner to these meetings or events. The costs associated with the above are all met by the company and in some instances, they are deemed to be taxable and therefore treated as benefits for the Non-Executive Director.
Non-Executive Directors' share allocation plan	To enhance the link between directors and shareholders, GSK requires Non-Executive Directors to receive a significant part of their fees in the form of GSK shares or ADS.	At least 25% of the Non-Executive Directors' total fees, excluding those of the Chairman, are paid in the form of GSK shares or ADS and allocated to a share or ADS account. The Non-Executive Directors may also take the opportunity to invest part or all of the balance of their fees into the same share or ADS account. The GSK shares or ADS which are notionally awarded to the Non-Executive Directors and allocated to their interest accounts are set out in the table on page 115 of the 2013 Annual Report and are included in the Directors' interests table on page 110 of the 2013 Annual Report. The accumulated balances of these GSK shares or ADS, together with the notional dividends accrued, are not paid out to Non-Executive Directors until they leave the Board. Upon leaving, the Non-Executive Directors will receive either the GSK shares or ADS, or a cash amount equivalent to the value of the GSK shares or ADS at the date of leaving, or date of payment if later.
Letter of appointment	Non-Executive Directors' and the Chairman's terms of engagement are set out in letters of appointment as set out in the table on page 109 of the 2013 Annual Report.	Non-Executive Directors will be subject to annual election or re-election and will normally serve no longer than nine years from the date of first election by shareholders at a general meeting. The Chairman will be subject to annual appointment by shareholders and may serve longer than nine years from the date of first election by shareholders at a general meeting.

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Operation and scope of Remuneration policy

The current Remuneration policy (the Policy) is set out on pages 117 to 125 of the 2013 Annual Report and it is intended that the Policy for GSK's Executive and Non-Executive Directors will apply from the close of the company's Annual General Meeting on 7 May 2014 after it has been submitted by the Committee for approval by shareholders. The Committee currently intends to operate in accordance with this Policy prior to the Annual General Meeting, with the exception of the additional two-year holding period for Performance Share Plan awards which will apply to awards made in 2015 onwards.

The Committee has written this Policy principally in relation to the remuneration arrangements for the CEO, CFO and Chairman, Global R&D & Vaccines whilst taking into account the possible recruitment of a replacement or an additional Executive Director during the operation of this Policy. The Committee intends this Policy to operate for the period set out above in its entirety. However, it may after due consideration, seek to change the Policy during this period, but only if it believes it is appropriate to do so for the long-term success of the company, after consultation with shareholders and having sought shareholder approval at a general meeting.

In drafting this Policy, the Committee reserves the right to make any remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the Policy set out above where the terms of the payment were agreed (i) before the policy came into effect or (ii) at a time when the relevant individual was not a director of the company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a director of the company. For these purposes "payments" includes the Committee satisfying awards of variable remuneration. In relation to an award over shares, the terms of the payment are "agreed" at the time the award is granted.

The Committee may also make minor amendments to the Policy set out in this report (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval for such amendments.

Statement of consideration of shareholder views

The Committee engages in regular dialogue with shareholders and holds annual meetings with GSK's largest investors to discuss and take feedback on its remuneration policy and governance matters.

The annual meetings were held in November 2013, at which Tom de Swaan, Committee Chairman, shared updates on remuneration matters in the last 12 months and proposals for 2014 onwards. In particular this covered the changes to performance conditions applying to long-term incentives, the introduction of an additional two-year holding period for performance share awards (i.e. five years in total) which will apply to Executive Directors for awards made in 2015 onwards and policies that are now required to be disclosed in the Remuneration Policy Report.