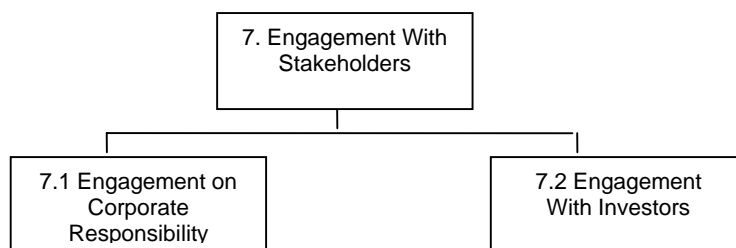


ENGAGEMENT WITH STAKEHOLDERS



Engagement 7

Engagement With Stakeholders

Corporate responsibility principle

We want to understand the concerns of those with an interest in corporate responsibility issues. We will engage with a range of stakeholders and will communicate openly about how we are addressing CR issues, in ways that aim to meet the needs of different groups while allowing us to pursue legitimate business goals.

Engaging with the different groups that have an interest in the way GSK operates is an important part of responsible business practice. These stakeholders include employees, investors, patients, doctors, governments and NGOs. By listening to them and being open about our views and actions we can build trust and address their concerns.

Much of this discussion takes place in the normal course of business. For example our scientists meet regularly with academics, researchers and other pharmaceutical companies as part of their work. Through our access to medicine programmes and community investment we collaborate closely with NGOs, multilateral agencies, governments and community groups. More information is available on stakeholder consultation in the following sections: Access to Medicine, Animal Research, EHS Management, Leadership and Advocacy, and Suppliers in the website.

We interact with governments to give our views on policy issues affecting GSK and the pharmaceutical industry. We engage with governments directly or through membership of trade organisations, such as the Pharmaceutical Research and Manufacturers of America (PhRMA) and the Association of the British Pharmaceutical Industry (ABPI). Our size and global reach give us access to policy makers and we recognise that we need to use this responsibly to benefit patients and our business. More information on our approach to external relations is available at External Affairs in the website.

We also meet with some stakeholders specifically to discuss corporate responsibility issues. Their feedback informs our approach to managing and reporting on these subjects.

This section focuses on our CR engagement. It covers our activities in 2004 including:

- Our CR survey of key stakeholders
- Engagement with socially responsible investment analysts

Case study

Investor Briefing on R&D

Animal research is one of the issues that socially responsible investment analysts look at when evaluating pharmaceutical companies for inclusion in their investment funds. They need to be confident that there is robust justification for animal use, animal welfare is a high priority during research and that GSK is doing all it can to reduce, replace and refine the use of animals in research.

We welcome engagement on this issue and are keen to explain our approach. In April 2004 GSK held a briefing for 14 SRI analysts at our research facility in Harlow, UK. The aim was to illustrate the role of animals in research, explain that animal testing is a small but important part of the overall drug development process, and demonstrate our animal welfare standards.

The analysts visited the animal research laboratory at Harlow, saw the animals used in research and their accommodation and had the opportunity to question laboratory staff. They also visited the high throughput chemistry laboratories and viewed some of the new technology introduced to reduce animal testing such as the animal MRI scanner.

Feedback from the event was positive: “Not only did it usefully provide a clear insight into how the animals are cared for it also provided in depth information on the processes and work behind drug discovery and development,” said one SRI analyst.

For more information on our approach to animal research see Research and Innovation in the website.

Engagement on Corporate Responsibility

Dialogue with stakeholders allows us to understand their concerns and ideas and helps to set the strategic corporate responsibility agenda in GSK.

In 2004 we commissioned a survey of 50 opinion leaders in Europe, the UK and US. Participants included academics, CR organisations, customers, government agencies, investors, the media, multilateral agencies and NGOs.

The survey sought their views on our performance on social and ethical issues and our CR reporting. Environmental issues were not covered because they are addressed by a separate stakeholder panel.

The survey provided in-depth qualitative feedback but was not designed to produce statistics. The responses gave us a clear indication of how GSK is perceived and the areas that stakeholders consider important.

CR Survey Findings

The participants were asked to identify the key CR priorities for GSK and the four considered most material for GSK were:

- Access to medicines in the developing world
- Marketing ethics
- Clinical trials (how they are conducted and transparency of results)
- Access to medicines in developed countries

Access to Medicines

Access to medicines in developing countries was seen as the single most important issue. GSK was seen to be doing well in this area. Our programmes - preferential pricing, research into diseases of the developing world and community investment - were generally rated highly.

The issue of access to medicines in developed countries was a growing concern for many participants. There were positive and negative views on GSK's performance in this area. Generally participants felt that the pharmaceutical industry should be doing more to improve access for the poor in the developed world.

Ethical Issues

A number of participants raised issues about our business practices. The publicity associated with GSK's antidepressant *Paxil/Seroxat* increased concerns about marketing practices and the conduct of clinical trials and disclosure of results. Respondents would like to see these issues covered in more depth and how we are addressing them.

Animal research was also raised as an important issue for GSK and our stakeholders gave a positive response to our performance and reporting on

this issue. Interviewees liked the level of disclosure and the reasoning given. See Animal Research in the website.

CR Reporting

Participants were asked to comment on our 2003 CR Report. It was felt that the report covered the material issues for GSK and they were positive about GSK's commitment to annual CR reporting.

The majority of stakeholders thought GSK's reporting would be improved by increasing the number of performance indicators, providing information on future plans for key issues and increasing transparency by tackling controversial issues in a more direct way.

Many participants felt that our separate CR and Environment, Health and Safety (EHS) reports made it harder for them to assess our overall performance.

Several participants wanted to see more information on the impact of our access to medicine programmes, with clearer information on the scale of the health problems that our programmes are addressing.

Emerging Issues Over the Next 5-15 Years

Participants felt that access to medicines in developing countries will continue to be the biggest issue for GSK, but drug pricing in developed countries will come under greater scrutiny. Ethical issues around clinical trials, marketing, and R&D will also be significant.

How We Are Responding to Stakeholders

The stakeholder survey has provided us with useful feedback and we are grateful to all the opinion leaders for their views.

We have been able to respond to some feedback immediately. For example we have now fully integrated our EHS reporting into the Corporate Responsibility report. In this report we have increased the number of performance indicators. We will continue to review and add to them as appropriate in future reports, though it is important to remember that not all CR issues are amenable to numerical indicators or objectives.

We believe that our existing programmes in the two highest priority areas - access to medicines and ethics - are substantial and appropriate. We have improved access to clinical trial results with the launch of our clinical trial register in the website.

Sometimes we receive feedback and suggestions from stakeholders that we disagree with or are unable to accommodate without damaging the interests of the company and its shareholders. Where possible we explain the reasons for this, for example the need to use animals in research. We will continue to engage with stakeholders, particularly opinion leaders, to gauge the success of our CR programmes.

Engagement With Investors

Investors are taking a growing interest in the corporate responsibility performance of companies, both as a measure of the long term sustainability of the business and to decide which companies should be included in their Socially Responsible Investment (SRI) funds.

GSK provides information to these investors in a number of ways.

We meet regularly with SRI analysts to discuss CR issues and respond to their requests for information. During 2004 we had more than 40 meetings with these analysts and discussed issues including access to medicines, animal rights, supply chain, sales and marketing ethics and clinical trials.

We also held several events for SRI analysts to meet and discuss issues with senior management:

- our CR day for SRI analysts in London was attended by 28 analysts and 15 senior GSK managers
- 14 analysts visited our research laboratories in Harlow where they viewed the high throughput chemistry laboratory, the animal research laboratory and viewed some of the new technology introduced as part of our commitment to the 3Rs (see Investor Briefing on R&D in the website)
- 13 SRI and mainstream investors visited our Barnard Castle manufacturing site in the UK to find out about quality control and environmental initiatives.

Some investment and research organisations collect performance information via questionnaires. These are used to rate GSK's CR performance and to vet GSK for inclusion in CR indices. GSK is included in the FTSE4Good and Dow Jones Sustainability Indices.