

Introduction

Welcome to GlaxoSmithKline's Corporate Responsibility Report 2006. This report explains our approach to the wide range of social, ethical and environmental issues associated with our business and our performance in 2006.

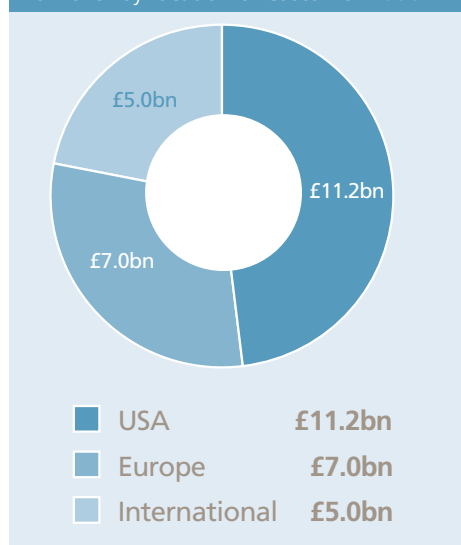
About GSK

We are a research-based pharmaceutical company. Our mission is to improve the quality of human life by enabling people to do more, feel better and live longer. Our business employs over 100,000 people in 116 countries. Our consumer healthcare business includes dental health products, over-the-counter medicines and nutritional drinks.

Key statistics

(£bn, except for employees)	2006	2005	2004
Turnover – total	23.2	21.7	20.0
pharmaceuticals	20.1	18.7	18.1
consumer healthcare	3.1	3.0	2.9
Profit before taxation	7.8	6.7	5.8
Number of employees	102,695	100,728	100,019

Turnover by location of customer 2006



About our report

This report covers our corporate responsibility activity and performance during 2006. It updates our last corporate responsibility report published in March 2005.

Data relate to the calendar year 2006, except where stated.

The environmental data cover the calendar year 2006. Data are collected from all of our 80 pharmaceutical and consumer manufacturing sites, 11 of our 13 biologicals manufacturing sites that are in operation, 18 of 22 pharmaceutical and consumer research and development sites and 6 of 8 major office locations. We include available data for sites that were in operation for all or part of the year. We do not require environmental data from small offices and distribution centres. Notes attached to the charts explain the scope and data collection process for each parameter in more detail. Unless specified as being per unit of sales, figures are absolute numbers, i.e. total consumption of energy, water etc. Data in the environment, health and safety sections of this report are externally verified, see [Verification](#).

The scope of other data relate to our worldwide operations except where indicated.

We use external guidelines and frameworks to inform our reporting where relevant. We do not base our report on the Global Reporting Initiative guidelines but we have produced a [GRI index](#) to show which elements of the guidelines we cover and to aid comparison with other company reports.

More background information on our policies and approach to CR is available on our website: www.gsk.com/responsibility.

We also publish a Corporate Responsibility Review which provides an overview of our approach to corporate responsibility. It is available in print and on our website.

Our 2005 CR report was one of the top 50 reports (ranked 17th) in the 2006 SustainAbility, United Nations Environment Programme and Standard & Poor's Global Reporters Survey – an international benchmark survey of non-financial reporting.

Medicines

Our key pharmaceutical products target serious diseases including:

- Asthma and chronic obstructive pulmonary disease
- Epilepsy, depression and other diseases of the central nervous system
- HIV/AIDS, herpes and other viral diseases
- Infections
- Diabetes
- Cancer
- Heart disease and other cardiovascular diseases
- Urogenital diseases

Vaccines

GSK makes vaccines that protect against diseases including:

- Hepatitis A and B
- Diphtheria
- Influenza
- Polio
- Rotavirus
- Tetanus
- Typhoid
- Whooping cough

Consumer healthcare brands

Our brands include:

- Over-the-counter medicines – *Beechams, Contac, Nicorette/Niquitin, Panadol, Tums, Zovirax*
- Dental health – *Aquafresh, Macleans, Polident, Sensodyne*
- Nutritional drinks – *Horlicks, Lucozade, Ribena*

CEO/Chairman's letter

We believe that a healthcare company isn't sustainable if it is only concerned about the 20 percent of the world's population lucky enough to have the resources to pay for new treatments. We believe that Access to medicines is essential to our vision for GSK. Improving people's health is what drives us and what makes talented scientists want to work here.

Our commitment to the poorest countries is integral to this. These countries may not represent a viable commercial market for some new medicines but there is still a need for people to have medicines they cannot afford. Yet pure philanthropy is not the right solution either – the needs are too great.

We look for new ways to tackle these problems. GSK is involved in over ten public private partnership projects – researching new medicines and vaccines for diseases disproportionately affecting developing countries, including HIV/AIDS, malaria and TB. We are also making key medicines and vaccines more accessible through discounted prices and have negotiated eight licences for third-party manufacturers to produce generic versions of our key HIV medicines.

As this Report shows, our efforts are starting to bear fruit. Preferential pricing and voluntary licences are helping to increase the supply of HIV/AIDS medicines to sub-Saharan Africa. In 2006, seven countries completed their five-year programmes to eliminate lymphatic filariasis using our albendazole treatment. We will continue donating our tablets until this disabling and incurable disease is completely wiped out.

Vaccines are another exciting area. In 2006, 75 percent of all the vaccine doses we produced were sold at preferential prices for immunisation campaigns in the developing world. These will save millions of lives. We expect to launch our vaccine for cervical cancer in 2007. This disease affects women in all countries but has the greatest impact in the developing world where there are few screening programmes to catch early cases.

There is no room for complacency – much more effort is needed from all stakeholders to resolve the healthcare problems of developing countries. But we are proud of the contribution we are making.

We know that our efforts on access to medicine must be based on a solid foundation. Our industry is high profile and often the subject of criticism. Good medicines can make a big difference to the quality and length of life for all of us and it is rightly expected that we should meet the highest standards of integrity in all aspects of our work.

This Report gives a snapshot of our approach to embedding an ethical culture across GSK. This includes applying the highest standards of behaviour and transparency in our R&D and promotion of medicines, treating our people well, and minimising the impact of our business on the environment. We also need to play our part in tackling major global issues such as climate change.

We value the input of our stakeholders and would welcome your views on this Report or any aspects of corporate responsibility at GSK.



Sir Christopher Gent
Chairman



JP Garnier
Chief Executive Officer

Q&A

Duncan Learmouth was appointed Senior Vice President, Corporate Communications and Community Partnerships in 2006. Here he sets out his vision for CR at GSK.

The complete Q&A is available in our full CR Report at www.gsk.com/responsibility.

What is your vision for CR at GSK?

There are three elements. We want to achieve high standards of behaviour in everything that we do, in all parts of the company. And we want to be known for that. We've adopted the theme 'performance with integrity' which has been very successful in engaging our employees. Secondly, we need to bring the outside world into our decision making. Only through a full understanding of stakeholder views will we make the best decisions. The third element is our desire to be a real member of the local community everywhere that we operate. That includes playing our part in the wider global community by contributing to better healthcare.

Where do you think GSK is doing well?

We are very engaged on issues of the developing world – and in my experience this is quite unusual for a public company. I believe that we lead our industry on R&D for neglected diseases, preferential pricing and voluntary licensing and are well ahead of most other sectors. We take a long-term approach and our programmes involve a high degree of partnership and dialogue with NGOs, governments, and organisations such as the World Health Organisation and the Gates Foundation.

Where should GSK be doing more?

Sales and marketing practices are always a hot topic for the pharmaceutical industry. We need to ensure that we keep up with public and regulatory expectations of how we market our products, and ensure GSK policies meet or exceed these changing expectations. However, being the first to change commercial practices runs the risk of reducing our competitiveness, so we must also be proactive in encouraging others in our industry to follow suit.

What is the biggest challenge?

The most difficult task is finding a balance between the needs of different stakeholders. Our investors are concerned primarily with profit. CR is important to them because it affects the long-term success of the company but the next quarter's earnings are often a more pressing priority. On the other hand, NGOs and others in society would like us to be more concerned with solving society's healthcare problems.

Are GSK's programmes for the developing world philanthropy or are they part of your business?

There's no doubt that they are part of the business. The need for our medicines will not go away so we need to make sure that our programmes are sustainable, and the best way to do this is make sure they are part of our day-to-day business. A great example of this is our long-term commitment to providing not-for-profit HIV medicines in the world's poorest countries. There is also such immense stakeholder pressure on this subject that it would be impossible to turn a blind eye. But it's not just about responding to pressure from the outside. Our 100,000 employees want to work for a company that is addressing these challenges. We have a duty to use our scientific know-how and human capital to make a difference where we can – it's essential to our own sense of integrity.

Why haven't you reduced the price of your products in all markets?

To be a sustainable business we have to make an adequate return or we won't be able to discover new medicines. We're under immense pressure from competitors and investors. Nevertheless we are looking at the issue of pricing beyond the world's poorest countries.

Are you researching new medicines that are really needed or just looking for 'me-too' drugs?

In many cases the drugs that are really needed will be the most profitable because that's where the demand is. New drugs for cancer or Alzheimer's will be meeting a huge unmet medical need and will be profitable too. The problem is that these diseases tend to present extreme scientific challenges and require novel scientific approaches which carry a greater risk of failure. Diseases of the developing world present a different problem – there is great need but no viable commercial market for new products. We get round this problem by working through public private partnerships and are very active on R&D for neglected tropical diseases. I think the debate about me-too drugs has been taken too far. If a new drug enables patients to take fewer doses each day or reduces side effects then it may seem like only a small improvement but it can make a very big difference to the treatment outcome.

The pharmaceutical industry has been criticised for lack of transparency over clinical trial results. Are you doing anything to address this concern?

There is a perception that the pharmaceutical industry is less than transparent and I think this is partly because we haven't done a very good job of communicating the challenges we face. I believe that our online Clinical Trial Register has gone some way to addressing these concerns. But the communication of data from clinical trials is a tough area. Weighing up the balance of risks and benefits from a medicine is rarely straightforward. Data isn't black and white – it requires interpretation and judgement. This inevitably means that people will have different views and that our knowledge will change over time as new drugs are tested and used. So actually talking about medicines to doctors is not straightforward. This communication is very important but very challenging.

Is the pharmaceutical industry sustainable?

We have a 'contract with society' – in return for investing in new drugs we generally have around ten years of intellectual property protection on our products before generics can be made. R&D is uncertain and unpredictable so in some periods we are more successful at this than in others. But I believe that the basic model is still a good one because it fosters a high level of innovation. Of course there are challenges and the industry must continually look for ways to improve R&D productivity. We have a unique type of product that plays a very personal role in people's lives. Nowadays good health is seen as a right but it's also a business and for some people this is uncomfortable. Generally, though, I believe people accept the need for a trade-off – they may not like us making a profit from health but they accept it because it's the best way to encourage the discovery of new medicines.

What role is GSK playing in addressing climate change?

We have targets for reducing energy usage. I believe we've adopted a sustainable approach that is linked to our business. Because of our position as a company that addresses healthcare needs, and the relatively small footprint we have compared to other sectors, there are other issues that are a higher priority to address. Nevertheless climate change is an important issue for GSK and for our stakeholders and we need to play our part in tackling it.