

# Corporate responsibility at GSK

## Why is CR important to GSK?

Corporate responsibility is about how we achieve our goals and implement our business strategy. We aim to operate in a way that reflects our values, while understanding and responding to stakeholder views and connecting business decisions to ethical, social and environmental concerns.

Corporate responsibility helps to achieve our business goals by:

- Supporting our relationships with key stakeholders including patients and consumers, doctors and governments
- Protecting and enhancing our reputation and therefore trust in our products
- Improving our ability to attract, retain and motivate the best people
- Strengthening our risk management processes

We believe that our business makes a valuable contribution to society by developing and marketing medicines which improve people's lives. However we know that the research, development, manufacture and sale of medicines raise ethical issues. We seek to minimise the negative impacts of our business and maximise the positive benefits of our products and operations.

## Our strategy

GSK is committed to addressing two key challenges facing the pharmaceutical industry and society as a whole. These are:

- Improving productivity in research and development
- Doing our part to support patient access to new medicines

To do this we focus on four business strategies. We have structured this report around these strategies to show how corporate responsibility is integrated into our business.

### Build the best product pipeline in the industry for the benefit of patients, consumers and society

Relevant responsibility issues include:

- [Animal research](#)
- [Conduct of clinical trials](#)
- [Patient safety](#)
- [Interactions with patient groups](#)

### Improve access to medicines in the developed and developing world

Relevant responsibility issues include:

- [R&D for diseases of the developing world](#)
- [Preferential pricing](#)
- [Voluntary licensing](#)
- [Access to medicines in middle income and developed countries](#)
- [Community investment](#)

### Maximise the potential of our current product portfolio

Relevant responsibility issues include:

- [Ethical conduct](#)
- [Standards in our supply chain](#)
- [Environmental impact](#)

### Be the best place for the best people to do their best work

Relevant responsibility issues include:

- [Employment practices](#)
- [Diversity](#)
- [Human rights of employees and in our supply chain](#)
- [Health and safety](#)
- [Resilience and well being](#)

## Our most important corporate responsibility issues

Corporate responsibility is a broad subject which covers a very wide range of issues. We need to prioritise these issues in order to manage them effectively and report clearly on our performance.

We identify the most important (material) issues for GSK through engagement with stakeholders, our risk management processes and our knowledge of our business and the pharmaceutical industry.

These inputs have led us to identify four CR issues that are particularly relevant and significant for GSK. These are:

- Research and innovation – contributing to healthcare by developing medicines and vaccines that meet the needs of patients
- Access to medicines in developed and developing countries
- Ethical conduct including sales and marketing practices
- Environment, including climate change and the impact of pharmaceuticals in the environment

## MANAGING CR

Our Corporate Responsibility Statement and Principles define our approach to our key CR issues and provide guidance for employees on the standards to which the company is committed. You can view the [Principles](#) in the background section of our website.

### CR governance

We have a Corporate Responsibility Committee (CRC) of non-executive board directors that provides high-level guidance on our approach to CR. The CEO and members of the corporate executive team are actively involved in CR and participate in CRC meetings.

The committee members are Sir Christopher Gent (Chair), Sir Ian Prosser, Dr Daniel Podolsky and Tom de Swaan. You can find more information on the CRC members and Terms of Reference in the [background section](#) of our website.

The Committee meets four times a year to review our policies and progress on our CR Principles. Four Principles – access to medicines, standards of ethical conduct, research and innovation and global community partnerships – are reviewed annually. Other Principles are discussed at least once every two years. The Committee's findings are reported to the Board.

During 2006 the Committee reviewed our activity in a number of areas including:

- Access to medicines
- Community investment
- Reputation management
- Caring for the environment
- Standards of ethical conduct

- DTC advertising
- Consistency of commercial practices codes

The Committee also reviews and signs off our annual CR report.

### CR risks

Management of significant business risks is coordinated by the Risk Oversight and Compliance Council (ROCC). The ROCC also considers reputational and corporate responsibility risks.

For more background information on the ROCC, see [Risk management and compliance](#) on [gsk.com](#).

### Management structure

Duncan Learmouth, Senior Vice President Corporate Communications and Community Partnerships, and Rupert Bondy, General Counsel, are our executive team members with responsibility for CR.

We believe that day-to-day management of CR issues is done most effectively within our business operations, where experts on all our CR issues work. Coordination is provided by a cross-functional team, made up of representatives from key business areas. These representatives are senior managers and have direct access to the appropriate executive team member. Their role is to oversee development, implementation and communication of CR policy across GSK. This ensures a comprehensive and consistent approach is taken throughout the organisation.

We also have a small CR team that co-ordinates policy development, reporting and communication with socially responsible investment analysts.

For details of our environment health and safety management see [EHS management](#).

### Assurance

The environment, health and safety sections of this report are externally verified by environmental assurance consultancy, SGS. The purpose of their assessment is to:

- check that the EHS data presented are accurate and that they represent GSK's performance fairly
- critically review the completeness and relevance of the information presented
- assess the effectiveness of GSK's data management and reporting systems

You can find SGS's verification statement and our response on page 70.

Other sections of the report are not externally verified. However GSK has an extensive internal audit programme that covers all aspects of our business.

### Internal communication and awareness

We keep employees informed about corporate responsibility. During 2006, 34,000 copies of our CR Overview brochure were distributed to employees directly and through Spirit, our internal magazine. Spirit also features regular articles on CR related topics.

We also surveyed a random selection of 1000 employees on their awareness of corporate responsibility and which issues they consider the most important. 369 employees from across the world and in all the different areas of the business responded to the survey.

- 80 percent have heard of corporate responsibility
- 78 percent recognised it was the responsibility of themselves and other employees
- Ethical business conduct, access to medicines and health and safety were the three areas identified as most important
- These are also the areas that employees believe that the company is doing most to address

## STAKEHOLDER ENGAGEMENT

Stakeholder engagement is an important component of our approach to managing our business responsibly. It helps us to identify the important CR issues for our business, understand stakeholder views and expectations and to build trust with key audiences. We also engage with our stakeholders to tell them about our work and to learn from their expertise. GSK interacts with a wide range of stakeholders including:

- Patients
- Doctors
- Governments and regulators
- Public and private health providers
- NGOs
- Multilateral organisations
- Employees
- Investors
- Local communities
- Suppliers
- The scientific community
- Peer companies

Most of this discussion takes place in the normal course of business. For example our scientists meet regularly with academics, researchers and other pharmaceutical companies.

It is difficult to quantify the extent of our engagements, since this activity is embedded in our business operations, but we have included examples in this section and throughout this report. These are some of the ways we engaged with our stakeholders in 2006.

### Investors and benchmarking organisations

We held 18 meetings with investors in 2006, to discuss CR issues.

These included one-to-one meetings to discuss key issues as well as educational visits and meetings. In January we hosted a meeting for 17 investors at our vaccines facility in Belgium. Investors were shown a presentation on the science of vaccines and visited the site's research and production areas. In October, eight investors visited our manufacturing plant in Dartford, England. Investors were shown the process for making the active ingredients in our products and the environmental management facilities at the plant. On both occasions investors had the opportunity to meet and question senior GSK staff.

In December, GSK and Dresdner Bank ran an educational seminar on patient safety for 16 investors. Our senior physician in charge of global patient safety explained our current drug safety monitoring procedures and how GSK plans to further develop these, and answered questions from investors.

Investors raise questions and issues throughout the year. In 2006, the main issues raised related to sales and marketing practices, climate change, access to medicines and clinical trials ethics, particularly in the developing world. Our approach to all these issues can be found in this report.

GSK received the following ratings from agencies:

Organisation	Rating
Association of British Insurers	GSK was given a 'full' rating for its disclosure of Board responsibilities and policies relating to social, ethical and environmental issues. This is the highest possible rating.
Dow Jones Sustainability Index	GSK was included in this year's index. Individual company scores and rankings are no longer published.
FTSE4Good Index	GSK was included in the FTSE4Good Index.
Innovest Strategic Value Advisors	We were rated 3 <sup>rd</sup> out of 44 companies in Innovest's Global Pharmaceutical Sector Report. GSK was rated particularly highly in the area of strategic governance.
Claremont McKenna	GSK received a B+ in a rating of pharmaceutical sustainability reporting, carried out by Claremont-McKenna, a US college that evaluates companies on corporate responsibility issues. GSK was 7 <sup>th</sup> out of the 25 companies evaluated

GSK reported its greenhouse gas emissions through the Carbon Disclosure Project (CDP). You can read our response on the CDP website at [www.cdproject.net](http://www.cdproject.net).

**CR benchmark studies**

We co-sponsored a benchmarking study by the consultancy and think-tank SustainAbility into non-financial reporting in the pharmaceutical industry. GSK was rated highest overall compared to 12 other companies in the sector.

We were also ranked 17<sup>th</sup> out of the top 50 companies in the SustainAbility/UNEP Global Reporters study of best practice in sustainability reporting. GSK was one of only two pharmaceutical companies in the top 50.

We retained our position in the Premier League (companies scoring above 95 percent) of [Business in the Community's Environment index](#).

**EHS**

We have established a stakeholder panel to inform our approach to EHS management. This is made up of ten external stakeholders representing customers, suppliers, regulators, public interest groups and investors, as well as four senior GSK EHS representatives.

**Opinion leaders**

Opinion leaders are influential individuals or organisations with expertise in corporate responsibility. These include NGOs, government representatives, investors, journalists, academics and consumer and industry organisations.

We held two discussions, one each in the US and UK, to gather feedback from 18 opinion leaders on our CR performance and reporting.

**Performance**

Participants mostly agreed that GSK's approach to corporate responsibility is comprehensive, well

thought-out and well managed. We were rated most highly for our programmes to increase access to medicines in the developing world.

Opinion leaders made suggestions for how we should improve in a number of areas. These included:

- GSK should demonstrate its commitment to improving health globally beyond selling pharmaceuticals (e.g. through disease prevention)
- We should do more to embed CR throughout the company and should set targets to improve our performance
- GSK should spend more time listening to stakeholders
- We should develop a strategy for reducing our impact on climate change
- We should focus on improving access to medicines in middle-income countries

**Reporting**

The opinion leaders felt GSK's CR report covered the right issues, but the report was too long overall, reducing readability. GSK scored points for improving the transparency of its reporting over the last three years. But stakeholders expected further disclosure on GSK's work with patient advocacy groups, ethics, management of the supply chain and our approach to human rights issues.

**Other stakeholders**

The following table summarises our interaction with other groups and shows where further information can be found.

Stakeholder	Engagement
NGOs	<p>We engage with international and community NGOs through our access, education and public health programmes. Read more in <a href="#">Investment in Public Health Initiatives</a> on page 76 and <a href="#">Community Investment</a> on page 75.</p> <p>We also engage regularly with animal welfare organisations. Read more in <a href="#">Animal Research</a> on page 26.</p>
Employees	<p>We seek feedback from our employees through regular employee surveys. See <a href="#">Employment</a> on page 40 for a summary of the results from our latest survey. We also consult employees on changes that affect them and discuss business developments through our Works Councils and European Employee Forum. For more information see <a href="#">Internal Communications</a> on page 44.</p>
Governments and regulators	<p>We engage in debate on legislation and seek to influence policy decisions that affect GSK. We also engage with governments to advance our corporate responsibility objectives. See <a href="#">Government and External Affairs</a> on page 12</p>
Multi-lateral agencies	<p>We engage with multi-lateral agencies through our access and public health initiatives. See <a href="#">Access to Medicines</a> on page 18.</p>
Doctors	<p>We engage with doctors in many ways including through our medical representatives and when running clinical trials. See <a href="#">Research</a> and <a href="#">Ethical Conduct</a> for information on how we manage the issues this engagement raises.</p>
Patients	<p>GSK researchers and scientists meet with patients as part of our Focus on the Patient initiative. This engagement influences our understanding of diseases and our research priorities.</p> <p>We also engage with patient groups directly and through Patient Advocacy Leaders' Summits. Read more in <a href="#">Patient Advocacy</a>.</p> <p>We also conduct market research via third parties to understand patient needs.</p>
Local communities	<p>Our interactions with local communities are managed by individual GSK sites. See <a href="#">Working with Communities</a> for examples of our initiatives.</p>
Suppliers	<p>We hold global and regional supplier review meetings where senior GSK managers address and interact with suppliers on key issues. For more information see <a href="#">Supply Chain</a> on page 50.</p>
The scientific community and academic partnerships	<p>It is important for GSK to be part of scientific and academic debates. This report contains examples of some of these interactions. For a discussion of how we manage such relationships see <a href="#">Research</a>.</p>

## GOVERNMENT AND EXTERNAL AFFAIRS

The pharmaceutical industry is highly regulated and these regulations can have a significant impact on our business. So it is essential that we engage in debate on legislation and seek to influence policy decisions that affect GSK. In fact, as a major multinational corporation we are often approached by governments to give our views, along with other stakeholders such as NGOs.

Our size and global reach give us access to governments and policy makers. We need to use this access responsibly to benefit patients and our business. We believe that by being transparent about our lobbying and public policy work we can increase stakeholder trust and confidence in GSK.

We have policies governing our interactions with important stakeholders. This section covers our interaction with governments and other external groups, including patient advocacy groups. Information on our approach to working with doctors and healthcare professionals is available in the [Research section](#) of this report.

More background information on our approach to public policy is available in the [external affairs section](#) of [gsk.com](#).

### Our approach to external affairs

GSK's external affairs teams monitor changes and proposed reforms to legislation and meet regularly with government officials to explain our views on a range of public policy issues. Lobbying on issues affecting the whole pharmaceutical industry is sometimes conducted through trade associations. We may also hire professional lobbyists to support our public policy work.

Our public policy work is governed by our External Affairs Code of Conduct, and is backed up by factual research and analysis. See [policy](#) on background site.

GSK believes that, where legally and culturally appropriate, political donations are a legitimate way of supporting the political process. Information on donations is given both in this report and in the Annual Report and Accounts. We have a [Political Donations Policy](#) governing our contributions to political candidates.

### Public policy activity in 2006

In 2006 we engaged with governments on a wide range of issues that affect our industry. In particular we advocated for policies that will deliver:

- Strong intellectual property rights and data exclusivity protection to encourage the research and development of new medicines and vaccines
- Pricing and reimbursement systems that support innovative medicines and provide greater predictability and transparency. We believe there should be greater liberalisation in pharmaceutical pricing, especially for medicines that are not paid for by governments

- A common European regulatory system that offers rapid approval of new products
- Intellectual property incentives to promote research on orphan medicines, paediatric medicines and medicines for the developing world
- Implementation of clinical trial regulations that promote safety and good clinical practice
- Appropriate use of health technology assessments (HTAs). We believe HTAs should be independent, transparent and scientifically robust – they should be a means of ensuring the right medicines reach the right people, rather than be used as a rationing tool
- Increased individual involvement and responsibility for personal healthcare, including improved access to information about medicines from pharmaceutical companies
- An environment which promotes research and development, and encourages informed debate on the benefits and challenges of new research technologies

### Advocacy on CR issues in 2006

We engage with governments and other stakeholders to advance our corporate responsibility objectives. For example, in 2006 GSK:

- Advocated for improvements to healthcare in the developing world through discussions with the UK and US governments, multilateral agencies and NGOs, see [Access to medicines](#)
- Participated in the World AIDS conference held in Toronto, Canada. See [Access to medicines](#)
- Supported Mobilising for Malaria, an advocacy initiative to generate political commitment and sustained funding to combat malaria, see [Community Investment](#)
- Worked with regulators to encourage acceptance of alternatives to animal testing, see [Animal research](#)
- Participated in developing the World Health Organization's International Clinical Trials Registry Platform, an initiative to standardise the way information on medical studies is made available to the public
- Encouraged more consistent approaches to patient safety and the reporting of side effects, see [Patient Safety](#)
- Led efforts to develop industry codes of conduct for marketing ethics in several Asian countries. See [Marketing Codes of Practice](#)

### Our position on key issues

We publish our position on many key issues in the [background section](#) of our website. We are happy to discuss our position on these or any other issues with legitimate parties. Contact our corporate responsibility team at [csr.contact@gsk.com](mailto:csr.contact@gsk.com)

The current position statements published on [www.gsk.com/responsibility](http://www.gsk.com/responsibility) include:

- Clinical trials in developing countries
- Counterfeit medicines
- Developing world challenges and access to medicines
- Importation of medicines
- Intellectual property and the TRIPS agreement
- Product diversion
- Preparations for a flu pandemic

### Membership of trade associations

GSK is a member of trade organisations including:

- Association of the British Pharmaceutical Industry (ABPI)
- Biotechnology Industry Organization (BIO)
- European Federation of Pharmaceutical Industries (EFPIA)
- Intellectual Property Owners Association (IPO)
- Japan Pharmaceutical Manufacturers Association (JPMA)
- The Swedish Association of the Pharmaceutical Industry (LIF)
- Organization For International Investment (OFII)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- International Federation of Pharmaceutical Manufacturers and Associations (IFPMA)

### US lobbying expenditures

GSK spent \$5.14m on federal lobbying activities in the US during 2006. This information is reported to the US Congress in accordance with the Lobbying Disclosure Act of 1995. It includes the costs of salaries and benefits for all employees registered to lobby the US government; hiring outside lobbying consultants; support for lobbying contacts such as planning activities, research and other background; running the GSK Washington DC government affairs office; support staff; and the portion of trade association fees associated with federal lobbying.

In other countries we do not collect separate data on lobbying expenditure.

### Political donations

GSK makes political donations with corporate funds where these are authorised by law and are culturally appropriate.

In 2006 we contributed £319,000 to political organisations in the US, Canada and Australia. All donations are covered by the GSK [policy on political donations](#).

GSK does not make donations to political parties or other political organisations in the European Union. See our [Annual Report](#) for more information.

### Contributions in the United States

In the US, candidates are financed primarily by contributions from companies, individuals, NGOs and other parties. Corporate contributions are an accepted and important way for companies to engage in the political debate.

Corporate contributions to national political parties and candidates running for federal office are prohibited by US law.

### Contributions to state candidates

GSK corporate funds are only given to candidates at state level, in states where this is permitted by law. In 2006, we donated \$536,000 (approximately £290,000) to candidates for state-held offices. This was split between Republicans (approx 55 percent) and Democrats (approx 45 percent).

Our contributions are not made on the basis of political party. GSK supports candidates who seek an environment that appropriately rewards high-risk, high-investment industries and believes in free market principles and intellectual property rights. All states publish information about political donations.

### Political Action Committee contributions

In accordance with the Federal Election Campaign Act, there is a GSK Political Action Committee (PAC) that facilitates voluntary political contributions by eligible employees. The PAC is not controlled by GSK but by our participating employees, who have the legal right to make contributions to candidates and political parties at the federal and state levels. All PAC contributions are voluntary and donations are subject to strict limitations. For example, the GSK PAC may not contribute in excess of \$5,000 to a candidate for federal office per election.

PAC contributions are determined by a governing board of PAC-participating GSK employees from across the company. As required by law, PAC contributions are reported to the Federal Elections Commission (FEC). In 2006, the second half of the two-year federal election cycle, the GSK employees' PAC contributed \$1.36m to candidates for state and federal offices.

### Contributions in Canada

In 2006, GSK donated \$CAD 56,000 (approximately £27,000) in Canada to political candidates in those provinces where it is legal.

### Contributions in other countries

In 2006, GSK donated \$AUS6,000 (approx £2,000) in Australia.

### Patient advocacy

Patient advocacy groups provide their members with support and information on how to live with their condition, represent patient views and advocate on issues affecting patients' interests. They are an important stakeholder for GSK and we engage with them as part of our aim to be a patient-focused company.

## Our principles for working with patient groups

- The independence of patient associations, of their political judgement and of their activities shall be assured.
- In all co-operative matters, transparency is vital.
- Any joint policies undertaken between patients associations and GlaxoSmithKline shall be based on mutual respect and trust.
- GlaxoSmithKline shall refrain from using undue influence to promote its specific medicines or services.
- When working with patient associations GlaxoSmithKline will always comply with local laws/governance.

Across the world we work with a wide range of patient groups in a variety of different disease areas such as cancer, asthma, diabetes and HIV/AIDS. Our interest in patient advocacy is about understanding patient needs and their illness. Our aim is to support the voice of patients and thus encourage a constructive healthcare debate for all stakeholders.

We believe that patient groups are playing an increasingly valuable role in improving healthcare. To protect their independence and credibility patient groups should be encouraged to obtain support, financial and non-financial, from diverse multiple sources – private, public and through individual donations.

## Our approach

We are committed to ensuring that we work with patient groups at the highest levels of ethical standards and transparency, and have established strong global principles.

As part of GSK's commitment to working ethically with patient groups, all employees involved receive formal training on our global principles and work within a framework set by our Standard Operating Procedures. In addition employees have access to a patient advocacy resource intranet site.

In the UK GSK's advocacy work is governed by the Association of the British Pharmaceutical Industry (ABPI) [Code of Practice](#). This states that there must be a written agreement between the company and the patient group, and that companies must publish a list of all patient groups that they fund.

We list all UK patient groups receiving funding from GSK. In 2007 we have gone further towards greater transparency and extended the list to include all [patient groups in Europe](#) that receive funding from GSK and have given full details of that funding.

In Europe GSK developed a Standard Operating Procedure (SOP) for working with patient groups. This initiative is being extended to the other GSK regions in 2007. The SOP covers a variety of areas concerning GSK's work with patient groups. It states that GSK will not seek a patient group's endorsement of any medicine, and that we will not provide more than 50 percent of a patient group's overall funding. In 2007 this will become no more than 25 percent funding. In the vast majority of instances the actual percentage is much lower. Additionally all activities are accompanied by a written agreement.

GSK is working with many pharmaceutical company representative bodies to encourage industry-wide transparent and ethical approaches to working with patient groups.

## Work with patient groups in 2006

Patient Advocacy Leaders' Summits (PALS) are one of the ways we engage with patient groups. In 2006 we held summits in the US, Japan and in many European countries including Poland, Netherlands, Romania and Latvia. These meetings give patient groups the opportunity to learn about GSK, tell the company how it can better support their work, and discuss and debate key issues relating to patient advocacy and healthcare policy. There is typically a range of workshops for attendees, including sessions on media training and sharing best practice.

We have a European patient group advisory board that we consult on GSK policies and thus work with to make the company as patient-centric as possible. The board has an independent chair, and is made up of representatives from a series of European groups, many from disease areas where GSK has no direct therapeutic interest.

## CONTRIBUTION TO SOCIETY

We believe that our business adds social and economic values to society through the contribution our products make to healthcare and through the jobs and wealth we generate.

### Contribution to healthcare

Our medicines and vaccines enable people to live longer and enjoy a better quality of life.

Healthcare is expensive – especially when patients need to make frequent visits to the doctor or spend time in hospital. For example in the US, \$3 of every \$4 spent on healthcare goes to treating people with chronic diseases. Healthcare costs are also likely to rise further in many countries as the population ages. Vaccines and medicines reduce the burden on healthcare systems by preventing diseases, enabling people with chronic diseases to work and helping patients to control their symptoms and make fewer visits to hospital.

GSK contributes to healthcare in three ways:

- Disease prevention
- Effective intervention – medicines to treat diseases
- Innovation – investment in R&D to discover new medicines and vaccines to meet future healthcare needs

## Disease prevention

Preventing disease is better for the potential patient, who avoids illness, pain and suffering; and better for society because it reduces healthcare costs. We support disease prevention efforts in several ways:

### Vaccines

We make vaccines that protect against crippling and fatal diseases including hepatitis A and B, diphtheria, seasonal flu, polio, tetanus and whooping cough. We currently supply 22 vaccines against 17 diseases.

Global immunisation efforts have led to the eradication of smallpox, the potential eradication of polio, and are estimated to save the lives of up to three million people world-wide each year. Vaccination has a longer term benefit and is more cost effective than treating people after they become sick. It can also reduce healthcare costs by:

- preventing disease outbreaks
- reducing the need for expensive treatments and hospitalisations
- reducing permanent disabilities and the long-term effects of disease
- preventing loss of productivity from illness

### GSK Vaccines

We distributed 1.1 billion vaccine doses in 2006 to 169 countries in both the developed and the developing world – an average of 3 million doses a day. We invested £348 million in vaccine research in 2006 and had 1,500 scientists working at our vaccine research centres.

We make our vaccines available in developing countries through an innovative tiered pricing model. In 2006, 75 percent of the 1.1 billion vaccines we produced went to the developing world. We are currently researching new vaccines for more than 15 diseases including several that are particularly relevant for developing countries. See [Access to medicines](#) page 18.

Patient education – We support patient education and disease prevention initiatives. These include working with [patient advocacy groups](#), producing patient information leaflets for medicine packs and doctors' surgeries and publishing information on [disease prevention](#) on our website.

Anti-smoking – It is estimated that around five million people die prematurely each year as a result of smoking. This makes smoking cessation one of the most effective ways to improve health. GSK's nicotine replacement therapy brands such as NicoDerm and Nicorette have helped more than five million smokers quit since 1996, making a significant contribution to public health.

Community investment – We support several major disease prevention programmes in developing countries through our [community investment](#). These include:

- the Global Alliance that plans to completely eliminate LF (a disfiguring disease that is one of the world's leading causes of permanent disability) by 2020. See [Community Investment](#), page 75.
- PHASE, our programme to reduce diarrhoea-related disease by encouraging school children in developing countries to wash their hands. See [Community Investment](#), page 75.

### Intervention

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

These make a major contribution to healthcare in several ways:

- Prolonging life – GSK is a pioneer in treatments for HIV/AIDS. Our antiretrovirals (ARVs) such as *Combivir* help patients to control the effects of HIV infection for many years. We sell our ARVs to countries in sub-Saharan Africa at not-for-profit prices. See [Access to Medicines](#).
- Preventing complications – Many diseases such as diabetes are progressive – if patients don't receive the right treatment they can suffer severe side effects. Every day in the US diabetes is the cause of an estimated 225 amputations, around 50 cases of blindness, and 117 people experiencing kidney failure. *Avandia*, our diabetes treatment, helps patients to control their symptoms, delays the progression of the disease and prevents complications. *Avandia* has now been used by more than seven million people worldwide.
- Improving quality of life – Many of our medicines such as those for asthma and diabetes help patients with chronic diseases live full and productive lives. GSK preventative treatments for asthma such as *Seretide/Advair* control the symptoms of asthma and prevent asthma attacks.
- Curing infection – We produce antibiotics that treat respiratory tract and other infections. In 2006, we donated antibiotics to help relief efforts in disaster areas. See [community](#) on page 75.

## Value to UK economy

In 2006, the British Pharma Group (comprising the two UK-based companies, GSK and AstraZeneca) commissioned a report by the Office of Health Economics (OHE), an independent research organisation, into the companies' value to the UK economy.

The report used the concept of 'economic rent' – the net additional income and wealth brought to the UK by a company, in excess of the income that would be generated if the labour and capital were put to the next best alternative use.

The OHE stated that the estimated net economic rent earned by many enterprises in any economy can be expected to be close to zero i.e. they yield as much economic value as, but not significantly more than, the next best alternative uses of the capital and labour they employ.

GSK's and AstraZeneca's economic rent from manufacturing, R&D and other activities in the UK was estimated to be at least £1 billion annually, and possibly much higher. GSK contributes approximately 60 percent of this figure.

You can read a copy of the report in the background section of our website.

Other studies have also ranked GSK's value to the UK economy highly:

The UK Government Department of Trade and Industry (DTI) 2006 Value Added Scoreboard lists the companies making the largest contributions to value added in the UK and in Europe. GSK was ranked 6<sup>th</sup> in the UK and 19<sup>th</sup> in Europe (the highest pharmaceutical company). Our value added was calculated as £11.8 billion or £118,500 per employee.

Investment in R&D stimulates economic growth. GSK is ranked 10<sup>th</sup> in the UK DTI's R&D Scoreboard which ranks the top global companies by the value of their R&D investment. We are the highest ranked UK company. See [www.dti.gov.uk/innovation](http://www.dti.gov.uk/innovation)

## Innovation

Despite revolutionary advances in healthcare there are still many diseases for which there is no cure or for which treatments could be improved. So continued research and innovation is essential.

We believe that R&D into new medicines is the most important element of corporate responsibility for our company. GSK invested £3.46 billion and employed over 15,000 people in R&D in 2006.

### Our pipeline

We have [159 prescription medicines](#) and vaccines in clinical development. Current projects include research into asthma, cancer, depression, diabetes, epilepsy, heart disease, HIV/AIDS, influenza, irritable bowel syndrome, osteoporosis, schizophrenia, stroke and TB.

We expect to launch five major new vaccines within the next five years:

- a human papilloma virus vaccine preventing cervical cancer
- the USA launch of a vaccine against rotavirus induced gastroenteritis and the strengthening of rotavirus vaccine uptake in Europe and in the international markets
- a vaccine against pneumococcal disease and non-typeable Haemophilus influenzae infections causing otitis media
- a number of vaccines against both seasonal and avian flu based on GSK's unique expertise in adjuvant technology including, a new generation adjuvanted seasonal flu vaccine for elderly people
- vaccine combinations against meningitis

Experts are predicting there may be a major flu pandemic in the next decade caused by the H5N1 strain of bird flu. GSK is actively preparing for this potential crisis. In a pivotal clinical trial of GSK's new generation H5N1 influenza vaccine carried out in 2006 in Belgium, it was shown that very low doses of antigen (3.8µg) combined with GSK's novel adjuvant system elicited a strong seroprotective response. As GSK's vaccine is also believed to have the potential to offer a protection against 'drifted' variants of the H5N1 virus, it could be used as part of a proactive pre-pandemic vaccination campaign. In addition we also increased production of *Relenza*, our treatment for influenza. For a full review of our pipeline please see our [Annual Report](#).

We have an extensive R&D programme into diseases disproportionately affecting developing countries. We believe GSK is the only company researching both new vaccines and treatments for HIV/AIDS, TB and malaria – the World Health Organization's three priority diseases.

### Research into the causes of disease

As well as researching potential new medicines we also invest in research to increase understanding of the human body and the causes of disease.

For example, in 2006 we launched ECLIPSE, a non-drug study to improve understanding of chronic obstructive pulmonary disease (COPD). The World

Health Organization has predicted that COPD will be the third leading cause of death by 2020. The GSK study will involve more than 2,000 patients over three years and identify relevant markers that may help predict disease progression.

Many diseases are caused by genetic factors which makes them difficult to cure or prevent. Our research into the body's immune system will also enable us to develop safer, more effective and more targeted vaccines to protect against a greater number of diseases.

### Economic value

We contribute to the countries in which we operate through creating wealth and employment, paying taxes and purchasing products and services. As well as these direct financial contributions our products also contribute indirectly to economic growth by preventing and treating disease.

Detailed financial information is available in our [Annual Report](#). However, some of the key figures for our global business are:

Global figures (£m)	2004	2005	2006
Sales	19,986	21,660	23,225
R&D investment	2,904	3,136	3,457
Payments to:			
• Employees	5,054	5,254	5,495
• Suppliers	n/a	n/a	8,107
• Government (taxation)	1,757	1,916	2,301
• Community investment	328	380	302
n/a = not available			

## HUMAN RIGHTS

Human rights is a broad subject that is relevant to GSK in a number of different contexts.

We are committed to upholding human rights in our sphere of influence. We have greater control over human rights in our own operations but can also influence human rights among our suppliers and wider society.

### GSK's sphere of influence

There are several reasons why we take human rights seriously:

- Achieving high standards on human rights supports our reputation and our goal of operational excellence
- It helps us to get the best from our employees
- By working with suppliers that match our standards, we help ensure the smooth operation of supplier contracts and therefore a reliable supply of high quality products
- It supports good relationships with the communities near our sites

Our approach to human rights is guided by the UN Universal Declaration of Human Rights, the OECD Guidelines for Multinational Enterprises and the core labour standards set out by the International Labour Organisation.

#### **Our employees**

Most of our direct employees are well educated and skilled people so the risk of human rights issues occurring is relatively low. We believe that our employment standards on issues such as diversity, equal opportunities and health and safety provide adequate safeguards on human rights for our employees. For more information see [Employment Practices](#) on page 40.

#### **Suppliers**

We expect our suppliers, contractors and business partners to meet the same standards on human rights as GSK but we recognise that some suppliers may not. We seek to influence our suppliers to adopt high standards on human rights by adding [human rights clauses](#) to our contracts and auditing suppliers. For more information see [Supply Chain](#) on page 50.

#### **Communities**

Human rights are relevant to our relationships with a wider community of stakeholders. Here are a few examples:

##### **Countries with poor human rights records**

Some of our stakeholders are concerned about our presence in countries which have a poor human rights record such as Sudan, North Korea and Burma. While we respect these concerns, our medicines and vaccines are needed by local populations. Our products need to be registered with governments before they can be sold, which almost always requires interaction with some aspect of government. We believe, along with the UN, that people should not be denied access to medicines because of the regime operating in their country. See [UN document](#).

##### **Local communities**

We seek to reduce the environmental impacts of our sites, operate them safely and foster good relationships with local communities.

##### **Indigenous material and traditional knowledge**

As one of the world's leading pharmaceutical companies, GSK fully supports the Convention on Biological Diversity's role in providing a framework for the conservation of biological diversity, the sustainable use of its components and respect for traditional knowledge. We also support the CBD objective "to provide fair and equitable sharing of the benefits arising from the use of genetic resources".

A wide variety of biological materials is used in biomedical research. These include human materials, non-human materials found in humans (such as bacteria and viruses), animals and plants. They are obtained from various sources. Sometimes they will be indigenous and unique to a country or community. More commonly, they will be cultivated or bred as staple commercial products and obtained through ordinary commercial channels.

Today most of GSK's pharmaceutical research is based on screening of large numbers of synthetic chemical compounds, rather than natural resources. We do not currently have any access and benefit sharing agreements in place. However, if GSK were to undertake development work using indigenous genetic resources and associated traditional knowledge arising from any GSK natural product collection programmes, access to those resources would be obtained in accordance with local laws. Contracts would be negotiated as required with the appropriate authority and we would thereby ensure that a clear benefit was returned to the country of origin, for example through royalties or a share of net profits. See our policy on [Biodiversity](#).

#### **Society**

Improving healthcare, particularly in the developing world, is one of the greatest challenges the world faces. GSK is committed to playing its part in improving access to medicines. We contribute to healthcare in the developing world through our research into new treatments and vaccines, by making our medicines available at affordable preferential prices, by negotiating voluntary licences with generic manufacturers and through our community investment. For more information see [Access to Medicines](#) on page 18 and [Community Investment](#) on page 75.

We engage with governments, multilateral agencies and NGOs to help improve access to medicines. We have developed a seven point plan for use in our advocacy efforts. For more information see page 19.