

# Introduction

Welcome to GlaxoSmithKline's (GSK's) Corporate Responsibility Report 2007. This report explains our approach to the wide range of social, ethical and environmental issues associated with our business and our performance during 2007.

## About GSK

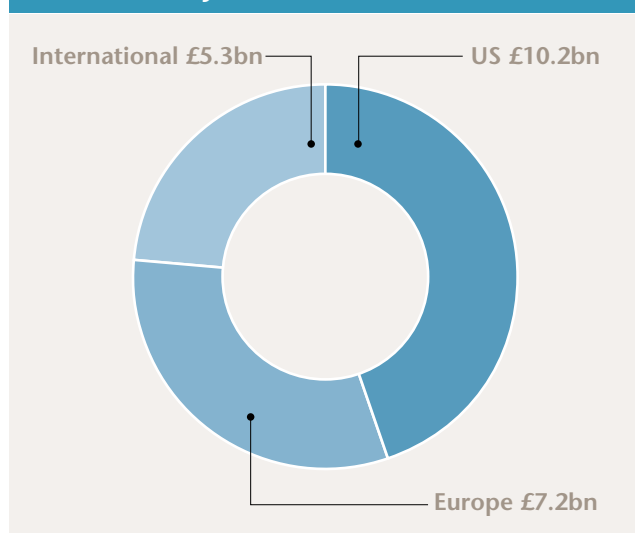
GSK is one of the world's leading research-based pharmaceutical and healthcare companies. Our mission is to improve the quality of human life by enabling people to do more, feel better and live longer.

We develop, research, produce and market vaccines and medicines that target serious diseases. Our Consumer Healthcare business includes over-the-counter medicines, nutritional and oral healthcare products.

Our business employs over 100,000 people across the world.

Key statistics			
£ billion,	2005	2006	2007
Turnover			
Total	21.7	23.2	<b>22.7</b>
Pharmaceuticals	18.7	20.1	<b>19.2</b>
Consumer Healthcare	3.0	3.1	<b>3.5</b>
<b>Total profit before taxation</b>	<b>6.7</b>	<b>7.8</b>	<b>7.5</b>

## Turnover by location of customer 2007



## Economic value

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

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

Finance				
Global figures (£m)	2004	2005	2006	2007
Sales	19,986	21,660	23,225	22,716
R&D investment	2,904	3,136	3,457	3,327
Payments to:				
Employees	5,054	5,254	5,495	5,733
Suppliers	n/a	n/a	8,107	8,200
Government (taxation charge)	1,757	1,916	2,301	2,142
Community investment	328	380	302	282

n/a = not available

## Our products

### Medicines

Our top-selling pharmaceuticals in 2007 included products to treat:

- Asthma
- Epilepsy
- Diabetes
- Herpes
- Migraine

### Vaccines

We make over 30 vaccines that protect against a wide range of diseases including:

- Cervical cancer
- Chickenpox
- Diphtheria
- Hepatitis A and B
- Influenza
- Meningitis
- Polio
- Rotavirus
- Rubella
- Shingles
- Tetanus
- Whooping cough

### Consumer Healthcare brands

Our leading Consumer Healthcare brands include:

- **Over-the-counter medicines:** *alli, Beechams, Contac, NicoDerm, Nicorette/NiQuitin CQ, Panadol, Tums, Zovirax*
- **Oral healthcare** – *Aquafresh, Polident, Poligrip, Sensodyne*
- **Nutritional healthcare** – *Lucozade, Horlicks, Ribena*

### About this report

This report covers our corporate responsibility (CR) activity and performance during 2007. It updates our 2006 corporate responsibility report, published in March 2007.

We have provided additional information in a number of areas in this year's report including:

- Our contribution to global health
- Our public policy activity in 2007
- Access to medicines in middle-income countries
- Our response to the Oxfam report on access to medicines
- Our new climate change strategy

We have also included answers to some of the questions frequently asked by our stakeholders and provided more details of future plans and challenges.

Data relate to worldwide operations for the calendar year 2007, except where stated.

Environmental data are collected from all 81 of our Pharmaceutical, Consumer Healthcare and Nutritionals manufacturing sites, 11 of the 14 vaccines sites (three are not yet in operation), 20 of 26 pharmaceutical and Consumer Healthcare research and development sites (six are too small to warrant collection of environmental data), all three major offices and ten smaller offices and distribution centres.

Injury and illness data are collected from all 81 of our Pharmaceutical, Consumer Healthcare and Nutritionals manufacturing sites, 11 of the 14 vaccines sites (three are not yet in operation), all 26 pharmaceutical and Consumer Healthcare research and development sites, all three major offices, all eight main sales groups, all ten offices with more than one million hours worked and 46 of the smaller offices and distribution centres.

Data in the environment and health and safety sections are independently assured by SGS. See [EHS assurance](#). The access to medicines section has been subject to independent, third-party assurance from Bureau Veritas. For further information see the [Bureau Veritas assurance statement](#).

We use external guidelines to inform our reporting where relevant. We do not base our report on the Global Reporting Initiative (GRI) guidelines but we have produced a GRI index to show which elements of the guidelines are covered in the report and to aid comparison with other company reports. This is available on our [website](#). We have also joined the UN Global Compact and have provided an index on our website to show how we are reporting in line with [Global Compact expectations](#).

Further information on our policies and approach to CR is available on our [website](#).

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



## Q&A with Chairman

Sir Christopher Gent is Non-Executive Chairman of GlaxoSmithKline and Chairman of our Corporate Responsibility Committee. Here he answers questions on corporate responsibility at GSK and gives his view on future priorities and challenges for the company.

### **What does corporate responsibility mean for GSK? Why is it important?**

Corporate responsibility is about how we engage with society. It's all-embracing, particularly for GSK as a pharmaceutical and healthcare company. For us CR is 'built in, not bolt on'. CR concerns issues such as our ethical conduct, animal research, conducting and publishing trials, sales and marketing, employment practices, as well as our performance on access to medicines, sustainability and the environment. It includes our community partnerships, although it is about much more than philanthropy.

These issues are also critically important because they affect our reputation with external stakeholders and influence how our employees feel about GSK. We have to work with society and gain their support, so everything we do must be done in a responsible way.

### **What's the Chairman's role in CR at GSK? How can you make sure that the values set by the Board are put into practice day-to-day?**

As Chairman of the company and the Corporate Responsibility Committee I have an oversight and governance role, reviewing what we are doing on the many topics covered by CR. I liaise continually with senior managers on critical issues that might affect our reputation as and when they arise.

I also have a leadership role to play in promoting performance with integrity and encouraging everyone at GSK to put the patient first and at all times to do the right thing. I believe it's essential for all leaders within GSK to make this a foremost issue and set the right tone from the top.

### **How does CR fit into GSK's business strategy?**

Our company mission is to make people feel better and live longer – the connections to CR are very obvious and fundamental. I don't see a need for a separate CR strategy because CR is so integrated into the purpose of our business and the way we do business. For example, the issue of access to medicines is one of the four cornerstones of our business strategy.

### **What are the most significant CR challenges?**

We made good progress this year on some key challenges such as R&D into new treatments and vaccines with particular benefits for developing countries. Our pre-pandemic vaccine for flu came to fruition and we committed to donate 50 million doses to the World Health Organization for use in poor countries. More patients in developing countries were treated with anti-retrovirals supplied by GSK at not-for-profit prices or by our generic licensees.

But other significant responsibility challenges remain unresolved. We are seeing attempts by stakeholders to weaken intellectual property and extend not-for-profit pricing to a wider range of medicines and to countries beyond the Least Developed Countries. On IP we believe that robust protection is essential to incentivise much-needed R&D. On pricing, we understand that countries with low healthcare budgets want breakthrough medicines at the lowest possible cost. But we can't sustain the R&D necessary to create medicines if we have to deliver everything at a not-for-profit price. Wealthier countries should not expect to receive the same prices as the world's poorest. Finding the right balance between access and innovation is very complex and will remain a major challenge, but we are committed to working with governments and other stakeholders to achieve it.

I believe we did better this year at communicating about responsibility issues to NGOs and others outside the company. However, while we made good progress on enhancing our reputation through greater transparency and responding to stakeholder needs, there's no doubt that this suffered a setback following the adverse publicity on *Avandia*. We remain committed to communicating transparently with stakeholders on this and other complex issues.

**The pharmaceutical 'blockbuster' business model is being challenged. How do you see this affecting CR?**

There has been a dearth of breakthrough medicines across the industry in recent years. It's not enough to produce a drug that is slightly better than its predecessor. People need to understand that we're researching drugs that bring major medical advances or we won't gain the support of the people who pay for our products.

This is a challenge for the whole industry and one that is causing many companies to think about changes to the business model, including GSK.

The changes in our R&D organisation are producing a strong pipeline and I'm confident we will address the challenge of bringing significant new medicines to market.

**CR is becoming increasingly important to shareholders and other stakeholders. How is GSK responding to these changing expectations?**

These issues are increasingly on shareholders' agendas when they review their investments. We are doing more to tell investors and others about the kind of company we are and what we are doing on the issues that matter.

Pressure also comes from inside the company. Our employees expect us to do the right thing and be seen to do it. I'm impressed by the degree of energy and commitment within GSK.

**GSK recently announced a restructuring programme. What are the CR implications?**

We operate in a dynamic and challenging environment – although we try to manage with foresight sometimes we have to take difficult decisions. When proposed measures that include job redundancies are brought to the Board our first thought is of the potential impact on people within the business. We are focusing on communicating and consulting with these employees and their representatives. We have a constructive relationship with employees and I believe they understand the nature of the business environment we operate in and why these changes are required.

**What are the future CR priorities and opportunities for GSK?**

I expect challenges to the intellectual property system and demands to extend preferential prices to middle-income countries to remain key issues. We'll need to innovate and test out new solutions to these problems. Partnerships with governments and other stakeholders are likely to play a key role.

On product safety I expect us to continue to be proactive in our communications with patients as well as regulators. When we identify potential issues with one of our medicines we have to communicate this information appropriately.

We've also got to maintain our focus on upholding high standards in sales and marketing.

Sustaining our commitment to transparency will remain a priority. We need to build trust by being open about what we do. This matters for all businesses but especially one like ours which has such an integrated role in society. I anticipate our engagement with stakeholders will intensify and hope this will increase understanding and support for what we are trying to achieve.

### Letter from the CEO

Despite advances in healthcare, society still faces huge unmet medical needs. R&D into new vaccines and treatments is essential to benefit patients, families and communities worldwide. This search is at the core of our business and the central responsibility issue for GSK. I am pleased at the progress we made in 2007.

Our sustained investment in R&D continued to pay off with the launch of new products that will make a real difference to global health. Our vaccine *Cervarix* will help to protect women worldwide against cervical cancer. We have already submitted the new vaccine for World Health Organization pre-qualification – meaning it can be used in mass vaccination programmes across the developing world where 85 per cent of cervical cancer deaths occur. *Tykerb*, our new breast cancer treatment holds out new hope for women affected by one of the most aggressive forms of this disease.

There was also exciting news from Phase II trials of our candidate malaria vaccine for African children. Our commitment to malaria is long-standing – scientists in GSK and our legacy companies have been working on this vaccine for over 20 years. If results continue to be successful we may see the submission to regulatory authorities of the world's first malaria vaccine for children as early as 2011. We will seek to ensure this vaccine is affordable and available to all who need it.

We are celebrating ten years of our involvement in the Global Alliance to Eliminate Lymphatic Filariasis and 15 years of GSK's Positive Action programme to help people living with HIV/AIDS. Both these programmes have had an enormous beneficial impact on some of the world's most disadvantaged communities. Several countries have now completed their five year LF elimination plans, freeing future generations from the threat of this disfiguring and disabling disease.

Our commitment to environmental issues was strengthened with the launch of a new climate change strategy. We have committed to reducing our climate change impact and energy use by 20 per cent per unit of sales by 2010 and by 45 per cent by 2015. A lot of work is already underway to make sure we meet these challenging new targets.

Concerns about *Avandia* proved to be one of the year's big challenges. We have responded to these concerns by examining the data in their entirety, and working collaboratively with regulators and other stakeholders. We strongly defend our product because we believe it is important that *Avandia* is available to support effective treatment of type 2 diabetes.

The company restructuring programme announced in 2007 will help us remain a competitive and sustainable business. These changes are necessary but have inevitably required us to reduce employee numbers. We aim to treat our employees with dignity and respect and offer a wide range of support for all affected staff.

It is the way we respond to challenges like these that demonstrates the importance of the strong value system on which our business is based. Performance with integrity is integral to GSK and is the foundation of our past and future successes.

I am proud of what GSK has achieved in my time as Chief Executive and confident that our company will continue to make a major contribution to meeting global healthcare needs now and well into the future.



JP Garnier

# Corporate responsibility at GSK

Corporate responsibility (CR) is central to our business. We aim to operate in a way that reflects our values, to understand and respond to stakeholder views and to connect business decisions to ethical, social and environmental concerns. We seek to minimise the negative impacts and maximise the positive benefits of our business.

Our Corporate Responsibility Statement and Principles define our approach to our key responsibility 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.

Our business makes a valuable contribution to society through the medicines and vaccines we produce which improve people's lives. However we know that the research, development, manufacture and sale of medicines and vaccines raise ethical issues. Consequently, the pharmaceutical industry is subject to a high level of public scrutiny and sometimes critical media coverage.

Our approach to CR, our ability to implement high ethical standards and the openness with which we report our progress are all essential to maintaining good relationships with our stakeholders. These in turn help us to achieve the goals of our business strategy and underpin the future sustainability of our business.

## The business case for corporate responsibility

Demonstrating that our practices are responsible and ethical benefits the business in the following ways:

- An improved reputation and greater trust in GSK products
- The ability to attract, retain and motivate talented people. This is becoming increasingly important as fewer young people in our major markets choose science-based careers
- Constructive engagement with stakeholders. This helps us to prevent avoidable conflict and identify innovative approaches that benefit GSK and wider society
- Greater access to markets and the ability to influence healthcare policy through improved relationships with regulators and healthcare payers. Helping governments to increase access to medicines and resolve healthcare challenges is particularly important
- Greater ability to anticipate and prepare for legislative changes and maintain a competitive advantage
- Helping to maintain support for the intellectual property system by finding innovative ways to increase access to medicines
- Reduced costs and more efficient use of resources through increased environmental efficiency.

## Our business strategy

GSK's overarching objective is to maximise total shareholder return. Our business performance and development are driven by four strategies. CR is relevant to these strategies in a number of ways:

We believe that corporate responsibility should be managed as part of our overall business strategy and through our day-to-day business operations. For this reason we do not have a separate CR strategy at GSK.

### Delivering our product pipeline for patients

- [Contribution to health](#)
- [Access to medicines](#)
- [Research practices](#)
- [Interactions with patient groups](#)

### Optimising the performance of key products

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

### Improving access to medicines

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

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

- [Employment practices](#)
- [Diversity](#)
- [Human rights](#)
- [Health and safety](#)
- [Resilience and wellbeing](#)