

Human rights

Human rights is a broad subject that is relevant to GSK in a number of different contexts. In this section we discuss human rights for GSK employees and human rights in our supply chain.

For information on our preferential pricing arrangements for HIV/AIDS medicines, see Access to medicines.

Most of our direct employees are well educated and skilled people for whom we are striving to make our company an attractive employer. Generally our employment standards on issues such as diversity, equal opportunities and health and safety provide adequate safeguards on human rights for these employees.

Our supply chain is complex, diverse and global. We recognise it is possible that suppliers in some countries do not fully respect the human rights of their workers or local communities. Within our sphere of influence, we have begun work to ensure that our suppliers observe similar standards to ours in their relations with employees and communities.

The risk of human rights issues occurring is not as significant for GSK as for companies in some other industries. Nevertheless there are several reasons why we need to 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.

EMPLOYEE HUMAN RIGHTS

The human rights of our employees at work are protected by our employment policies and procedures. For more details see Employment.

We operate globally, including in countries where the government does not fully respect human rights. We believe our presence in these countries is vital to ensure continued access to medicines for their people. We aim to create a workplace for employees in these countries where the standards match those in our operations elsewhere, and thereby contribute to improving employment practices generally.

We conduct an annual human rights employment audit to make sure we are delivering our commitment to international human rights standards. The head of Human Resources in each country where we operate is required to report on whether GSK employment practices meet these

standards via a self-assessment questionnaire. In 2005 this audit did not identify any human rights issues in our workforce

We can confirm that GSK does not employ children or anyone younger than 16. All our employees are entitled to join trade unions and to organise, in countries where this is permitted by national legislation. We are committed to listening and responding to the views of our employees, including through works councils and staff consultation committees, see Internal communication.

Discrimination and harassment are not tolerated under any circumstances. Employees can report any concerns to senior management on a confidential basis, using our global integrity helpline. During 2005 there were no cases reported by employees to our compliance function that directly raised human rights issues.

SUPPLY CHAIN HUMAN RIGHTS

Our supply chain is complex, with over 75,000 suppliers worldwide. It ranges from major strategic relationships with suppliers that manufacture raw materials and packaging for GSK medicines through to local contracts for goods or services such as office equipment, cleaning and security.

We endeavour to ensure that all our suppliers follow the same high standards on human rights that apply to GSK. Given the size and global scope of our supply chain we recognise that some suppliers may not fully respect the human rights of their workers or local communities.

We have started to work with suppliers on these issues through the inclusion of human rights clauses in supplier contracts (see next page).

We also cover human rights issues during our routine interactions with two categories of critical suppliers – the contract manufacturers that make GSK-branded medicines and consumer health products and the suppliers of raw materials and packaging to our manufacturing sites. Historically these suppliers have tended to be based in Europe and North America, but there is a growing trend towards sourcing these materials from other areas of the

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world such as Asia. We visit our critical suppliers regularly to review performance and to identify and resolve any issues, including any potential human rights issues. These interactions include:

- Pre-assessment of potential new critical suppliers through questionnaires, on-site reviews and Quality and EHS Audits. These assessments cover facilities which will directly supply GSK.
- On-going critical supplier reviews include follow-up visits by Procurement, Quality and EHS staff. We also hold global and regional supplier review meetings where senior GSK managers address and interact with suppliers on key issues.

It is important that our procurement teams understand our human rights standards. We provide training and guidance on human rights for GSK procurement staff as part of our Sourcing Group Management programme. This explains how we develop sourcing strategies and our criteria for supplier selection, including human rights. The training is compulsory for all new procurement staff.

Given the size and complexity of our supply base it is not possible to engage directly with all our suppliers on human rights. As well as our routine engagement with critical suppliers, during 2006 we will start a pilot project to assess the risk of human rights issues occurring among suppliers of services where there is a large labour input, for example cleaning or security.

We also engage with suppliers on environmental, health and safety issues, see Environment and Working with our Ribena suppliers to improve biodiversity, below.

Supplier contracts

We are adding human rights clauses to our supplier contracts. These require suppliers to confirm that they comply with minimum wage legislation; provide a healthy, safe workplace free from discrimination; and do not use any form of slavery or exploitative child labour.

So far, we have incorporated human rights clauses into all central contract templates for use with new suppliers. Human rights clauses are also being introduced into contracts for existing suppliers as they are renewed. Most contracts are renewed on a three-year cycle.

During 2005 we worked with our local procurement teams to incorporate human rights clauses into local supplier contracts. Given the size of the supply chain we have prioritised contracts into which the human rights clause must be inserted. The initial focus is:

1. Suppliers providing goods that are used to make GSK-branded products e.g. contract manufacturers, raw materials and packaging; and
2. Suppliers providing human resources e.g. cleaning services, security services, contingent worker services, outsourced services, testing, research and development services.

This scope will eventually be extended to all contracts.

Engagement with critical suppliers

Our critical suppliers must work to the highest quality standards and produce an uninterrupted supply of materials and services to GSK. If they do not, the safety, effectiveness or availability of our medicines could be affected. For these reasons, we seek long-term relationships with critical suppliers and regularly monitor all aspects of their performance, including human rights.

Critical suppliers must pass a detailed assessment before they can be selected. As well as looking at quality issues, we also assess their policies and procedures for health and safety, human rights, and environmental issues. These rigorous assessments reduce the risk of issues of non-compliance after the contract has been signed. Where suppliers do not meet our required standards, we work with them to agree a remedial programme which must be implemented or completed before we award any new business to them. All contract manufacturers must also be approved by the applicable regulatory authority before they can start manufacturing GSK medicines.

After a contract has been awarded we seek to develop strong, open relationships with critical suppliers. This includes formally agreed Supplier Reviews, to assess performance and identify and agree areas for improvement. After a Supplier Review the agreed action plan is signed off by GSK and the supplier. Where a supplier can't or won't improve their performance we will move our business to an alternative supplier.

We have launched a preferred global vendor programme to reduce the number of suppliers. As well as reducing costs and increasing efficiency this will make it easier to monitor and influence supplier standards.

Supplier audits

We conduct regular Environment Health and Safety audits of our contract manufacturers that include questions on human rights. In 2005 there were 41 audits conducted and no human rights issues of significant concern were noted.

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GSK Supplier human rights clauses

The human rights clause (below) is based on international workplace norms in the International Labour Organisation conventions and the UN's Universal Declaration of Human Rights.

The text below sets out the standard English-language version of the contract clause, but it must be noted that the exact wording may vary between contracts. GSK attorneys may amend the wording of the HR Clause during negotiation with third parties or during translation to suit local law. However GSK attorneys have been instructed not to change the Human Rights Clause in any way that reduces its contractual impact or intent.

THE GSK STANDARD CONTRACT CLAUSE FOR ETHICAL STANDARDS AND HUMAN RIGHTS

Ethical Standards and Human Rights

Unless otherwise required or prohibited by law, the Supplier warrants, to the best of its knowledge, that in relation to the supply of goods or services under the terms of this Agreement:

- (a) it does not employ engage or otherwise use any child labour in circumstances such that the tasks performed by any such child labour could reasonably be foreseen to cause either physical or emotional impairment to the development of such child;
- (b) it does not use forced labour in any form (prison, indentured, bonded or otherwise) and its employees are not required to lodge papers or deposits on starting work;
- (c) it provides a safe and healthy workplace, presenting no immediate hazards to its employees. Any housing provided by the Supplier to its employees is safe for habitation. The Supplier provides access to clean water, food, and emergency healthcare to its employees in the event of accidents or incidents at the Supplier's workplace;
- (d) it does not discriminate against any employees on any ground (including race, religion, disability or gender).
- (e) it does not engage in or support the use of corporal punishment, mental, physical, sexual or verbal abuse and does not use cruel or abusive disciplinary practices in the workplace;
- (f) it pays each employee at least the minimum wage, or a fair representation of the prevailing industry wage, (whichever is the higher) and provides each employee with all legally mandated benefits;
- (g) it complies with the laws on working hours and employment rights in the countries in which it operates;
- (h) it is respectful of its employees right to join and form independent trade unions and freedom of association.

The Supplier agrees that it is responsible for controlling its own supply chain and that it shall encourage compliance with ethical standards and human rights by any subsequent supplier of goods and services that are used by Supplier when performing its obligations under this Agreement.

The Supplier shall ensure that it has ethical and human rights policies and an appropriate complaints procedure to deal with any breaches of such policies.

GSK reserves the right upon reasonable notice (unless inspection is for cause, in which case no notice shall be necessary) to enter upon the Supplier's premises to monitor compliance by the Supplier of the warranties set out in the clause above and the Supplier shall, subject to compliance with law, furnish GSK with any relevant documents requested by GSK in relation thereto. {this sub-section will only be required where there is no general right of audit elsewhere within the Agreement}