



GSK Modern Slavery Act statement

Introduction

Estimates of the number of people living and working in enslaved conditions vary widely because, by its nature, it is a crime which is hidden. With between 20 and 46 million people enslaved worldwide, like any other business we must understand the potential for modern slavery and trafficking in our own operations and supply chain. We are responsible for minimising the risk of supporting these unacceptable human rights abuses through setting and applying high ethical standards.

GSK is a science-led healthcare company which researches, develops, manufactures and sells innovative pharmaceutical, vaccine and consumer healthcare products. Turnover was £27.9 billion in 2016, relatively evenly distributed between the US, Europe and International markets. For more information see our [Annual Report](#). GSK's [supply chains](#) are complex and have significant scale, with a spend of over £13 billion a year with third parties around the world.

This statement explains our stance and actions relating to modern slavery during 2016. For simplicity, we use the expression 'modern slavery' to encompass all forms of enslaved labour, child labour and trafficked labour.

GSK's policy on human rights and modern slavery

Our approach to managing the risk of modern slavery is part of our efforts to uphold human rights. GSK published its [human rights policy](#) over ten years ago and the policy was most recently updated in December 2015 to reflect GSK's support for government efforts to encourage companies to address modern slavery in their operations and supply chain.

Our policy applies across all sectors of the business, and sets out expectations for how we treat our own employees and the standards we expect of our suppliers in treating their workforce.

This policy is reinforced by supporting policies and standard operating procedures. It includes standard labour rights clauses to use in contracts with our suppliers. Additionally, our [working with third parties](#) policy and supporting principles state that we are opposed to all forms of slavery and exploitative child labour and will work with partners to address the problem where we encounter it.

Governance

In 2012 we established a Human Rights Steering Group of senior specialists within GSK to direct and oversee the company's commitment to minimise the risk of breaching human rights. Issues relating to modern slavery fall within the remit of this group which has been central to the production of this statement. The Group is chaired by the Head of our Global Risk Office on behalf of our Senior Vice President of Ethics and Compliance who reports directly to GSK's CEO.

The GSK Board provides oversight through our well established governance framework and regularly reviews and is kept up to date with material developments in this area. The Board approves relevant policies and has approved this Modern Slavery Act statement.

To support our understanding of human rights, labour rights and modern slavery GSK participates in specialist forums. These include the Business for Social Responsibility Human Rights Working Group, the United Nations Global Compact Modern Slavery Group, and the Pharmaceutical Supply Chain Initiative. Through these groups we learn from the experience of other industry sectors, government and non-governmental organisations, and we bring this to bear in determining our own policies, processes and actions.

GSK's workforce

Just under 100,000 people are employed directly by GSK. Additionally we have workers who are not directly employed by GSK who are known as complementary workers and are a vital part of our workforce. Our human rights policy, and thus the employment standards specified in the policy, applies to workers whether they are directly or indirectly employed in GSK work.

Although we operate in some high risk geographies we believe that the risk of modern slavery in our workforce is relatively low. This is because we are not directly involved with some of the areas of greatest risk such as low-skilled, seasonal and migrant workers. Much of our workforce is educated or skilled, or is undertaking work in controlled environments where there are established policies and processes and a culture of integrity and respect for people. That said, we know we cannot be complacent.

Code of Conduct and training

GSK's [Code of Conduct](#) requires employees and complementary workers to respect human rights. This includes respecting all labour laws, working to ensure we are not party to any form of forced labour, and that third parties we work with and suppliers from which we buy goods or services share our commitment to labour and human rights.

All employees and complementary workers are required to undertake annual training on the GSK Code of Conduct and failure to do so will result in disciplinary action and potential dismissal. The Code is underpinned by our policies on equal and inclusive treatment of employees and on pre-employment screening. These policies do not specifically refer to modern slavery however the standards they set should help to mitigate against it. To support this, we are revising our standard operating procedure for pre-employment screening so that GSK suppliers are expected to verify the candidate's identity and ensure that their hiring practices are compliant with policies, laws and standards that forbid child labour, human trafficking or enslavement.

Our whistle-blowing policy

Our whistle-blowing policy requires employees and complementary workers to raise concerns about possible breaches of our Code of Conduct or suspected violations of country laws and regulations. Reports can be made through local GSK management, or the compliance, legal or human resources functions. Our non-retaliation policy is designed to encourage internal reporting and takes proactive steps to ensure people who raise concerns in good faith are safeguarded and supported in the workplace. It assures anyone making a report that it will be kept confidential and they will be protected from retaliation, retribution and any form of harassment for raising the concern.

As well as having internal channels, anyone within GSK or from outside the company – such as workers within one of our suppliers - can raise an issue confidentially and anonymously through the [Speak Up](#) channel on our website or phone line.

In 2016 we received 2568 reports through the Speak Up facility. These were assessed and investigated further if appropriate. Of those investigated, the most frequent categories of report related to employee performance and relations, and product promotion. We did not have any reports or investigations that were indicative of modern slavery.

Putting our values into practice

We support our workforce to apply [our values](#). Every employee and complementary worker is trained in what our values mean and is expected to uphold them; the values of acting with integrity and demonstrating respect for people are the most relevant to modern slavery.

We have developed a programme called Values Assurance, designed to identify risk related to values, culture and behaviour in local operating companies and manufacturing sites. It involves having individual discussions with between 10% and 15% of the workforce in a locality. Employees are randomly sampled across all levels of seniority and all departments, and complementary workers are included in the same proportion as they exist in the workforce.

People have the opportunity to raise issues, to discuss how the values are being implemented in day to day interactions, and to comment on what is working well and what needs to be improved. Although questions specific to modern slavery are not asked, the process helps to create an environment where issues can be raised, and rigorous follow up ensures issues are addressed.

To date, Values Assurance reviews have been completed in over 40 local operating companies or sites, with more than 3,000 people participating in discussions. In 2016 we completed 21 reviews and we expect to complete a similar number in 2017. Findings covered a wide range of working practices, such as equal and inclusive treatment, employment practices and health and wellbeing. We are reassured that there have been no signals suggestive of modern slavery.

How we work with third parties

We invest in developing long term relationships and identifying third parties that best meet GSK's needs; this is particularly important because of the specialist nature of our products. We are increasing the proportion of our spend with preferred suppliers to strengthen third party relationships, improve quality and supply chain standards, enhance our management of risks and reduce costs.

We believe that the risk of modern slavery in third parties with which we have a direct relationship, known as Tier 1 suppliers, is relatively low. This is supported by the findings of a [risk assessment conducted](#) for the Pharmaceutical Supply Chain Initiative which concluded that favourable working conditions in the first tier of supply lower the risk of exposure to labour exploitation, but risks increase in lower tiers of supply. We place obligations on our third parties to take responsibility for controlling their own supply chain, and this is reiterated in our policy on [working with third parties](#) and is included in our supplier contracts.

We are implementing a comprehensive due diligence programme – or Third Party Oversight (TPO) programme - to risk assess all existing and potential new suppliers, distributors and other organisations with which there is a transfer of value. The TPO programme assesses third parties against the principles set out in our working with third parties policy, including labour rights risk. During 2016 we introduced the TPO programme across 43 countries in Latin America and South East Asia, and we expect to have implemented it globally by the end of 2017 which will ensure ongoing assessment of our existing and new third parties.

We identify third parties at the highest risk of non-compliance based on the country where they operate, the type of product or service they provide, and the value of the contract. These third parties are then subject to a more extensive review which may include an assessment by a specialist independent consultancy. This requires completion of a questionnaire on environment, labour rights, fair business practices and how the third party manages risks in their own supply chain. Third parties must provide supporting evidence to demonstrate they have appropriate policies and management systems in place, and their responses are assessed by experts.

In 2016 we completed more than 8,700 third party risk assessments. This led to a more detailed assessment of just over 1,000 third parties, of which 33 performed poorly in the assessment of their labour rights practices. These poorly performing suppliers are subject to remediation plans, including a formal Corrective and Preventative Action (CAPA) process requiring improvements. CAPAs are monitored by the local compliance officer and Risk Management Control Board, as well as being tracked centrally, until the issues are resolved. Additional due diligence may also be undertaken such as a detailed review of contract clauses and, for the highest risk third parties, on-site audits. If the third party does not show satisfactory progress we may take additional action such as not awarding new contracts, or taking measures to move to an alternative third party.

Auditing third parties

In some instances we decide to undertake an on-site audit of a third party which could include an audit of labour practices. These audits are conducted on our behalf by a company with expertise in labour rights. They assess whether there are systems in place that support good labour practices and reduce the likelihood of poor practices, the degree to which these systems are implemented, and what controls are in place to manage potential risks when they are identified.

In 2016 we audited 72 high risk third parties for labour rights along with other areas. There were 14 findings which were judged to be major in that they had potential to impact human health, the environment or community, or our business operations. The findings related to a lack of systems, rather than to direct breaches of labour rights.

When risks are identified, additional risk assessment and communication steps are used to ensure we understand the issues and can develop practical solutions to address them. For example, GSK identified a packaging supplier in Bangladesh with potential labour rights issues. We undertook an unannounced visit to the site, a detailed background check and an on-site audit with a focus on labour rights. Our local procurement team actively engaged with the supplier to enhance their understanding of labour rights issues and GSK's expectations. They made formal commitments to improvements and we continue to monitor this supplier closely.

Next steps

During 2017 we will be taking additional steps which will contribute to our efforts to prevent modern slavery and other labour rights breaches. We will be enhancing our Code of Conduct training so that it includes more specific information on labour rights to raise awareness in our workforce; further rolling out our Third Party Oversight due diligence programme for Tier 1 suppliers to the rest of the world; and considering how we can better support our third parties to understand labour rights issues and meet our expectations, through a website designed for their use.

We will also consider how we need to adjust resource that is allocated to the labour rights area; consider whether and how we should enhance training, particularly for procurement staff and others making purchasing decisions; and determine what performance measures we can most usefully report, year on year, to indicate the progress we are making.



Simon Dingemans

Chief Financial Officer

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