Introduction

GSK is publishing this statement in accordance with the UK Modern Slavery Act 2015 (the ‘Act’). The Act requires businesses to state the actions they have taken during the financial year to ensure that modern slavery is not taking place in their operations and supply chains. Modern slavery encompasses slavery, servitude, forced labour and human trafficking.

This is our second statement and refers to the financial year ending 31 December 2017 (click here to read our 2016 statement).

GSK’s business and supply chains

GSK is a science-led healthcare company which researches, develops, manufactures and sells innovative pharmaceutical, vaccine and consumer healthcare products. Information on our range of products can be found here. Turnover was £30.2 billion in 2017, relatively evenly distributed between the US, Europe and International markets. For more information see our Annual Report.

We employ over 98,000 people in over 150 markets, with almost two thirds based in Europe and North America and around a quarter in Asia. We also have workers who are not directly employed by GSK who are known as complementary workers and are a vital part of our workforce.

We have global commercial operations, with our main research & development centres in Europe and the US. Our manufacturing network includes 85 sites in 37 countries.

GSK’s supply chains are complex and have significant scale, with a spend of over £11 billion every year with third parties. This includes more than 38,000 suppliers that provide us with:

- Goods and services that we use to manufacture our products such as raw materials, pharmaceutical ingredients, bottles, tubes and packaging materials and we work with third parties on the transportation and warehousing of our products around the world.
- Goods and services that are required to run our business, including IT and laboratory equipment, marketing and other agency support, catering and facilities management, engineering and construction services.
- We also partner with a network of external contract manufacturing organisations that supply finished and semi-finished products for sale and distribution by GSK such as tablets, ointments, inhalers and syringes.

Policies

Our values – patient focus, transparency, respect and integrity – underpin everything we do at GSK. Our Code of Conduct outlines how all employees and complementary workers should put our values into practice in their daily working lives and embeds respect for human rights and labour rights across the business. The Code is underpinned by several policies and standard operating procedures that help to mitigate against the risk of modern slavery:

- Our human rights policy sets out our expectations for how we treat our workforce and the standards we expect of our suppliers. It was updated in 2017 to include additional information on labour rights and the standard labour rights clause that is in our contracts with third parties.
- Our working with third parties policy states that we are opposed to all forms of forced labour and exploitative child labour and will work with partners to address the problem where we encounter it.
- Our standard operating procedure for whistle-blowing requires employees and complementary workers to raise concerns about any wrongdoing which extends to human rights violations like modern slavery.
- Our standard operating procedure for non-retaliation 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.
- Other relevant policies include those on equal and inclusive treatment of employees, pre-employment screening, conflict minerals and anti-bribery and corruption.
Assessment of modern slavery risk

In 2017, we continued to review the risk of modern slavery in our business and supply chain by considering geography, the type of work being carried out and the type of labour being used. Based on this, we believe that the risk of modern slavery in our directly employed workforce is low. This is because our employees are largely educated or skilled, or are undertaking work in controlled environments where there are established policies and processes.

We have, however, recognised the need to better understand the use of labour providers in our complementary workforce and supply chain. This is especially relevant for labour-intensive activities that carry a higher risk of modern slavery such as catering, cleaning, transportation, warehousing, construction and some types of manufacturing. This will be an area for further analysis over the next year.

We have also identified the need to further review third party practices in South Asia and East Asia, where the risk of modern slavery is high and the majority of third parties that performed poorly in an independent assessment of their management of labour rights risks in 2017 are located. Over the next year, we will consider how we can raise awareness among our high risk third parties of how to detect and mitigate modern slavery risks.

To continue building our understanding of modern slavery, GSK participates in the following forums: the Business for Social Responsibility Human Rights Working Group, the United Nations Global Compact Modern Slavery Group and the Labour Rights Sub-Committee of the Pharmaceutical Supply Chain Initiative. In addition to these groups, over the next year, we intend to engage with anti-slavery and human rights NGOs.

Due diligence and risk management

Our approach to managing the risk of modern slavery forms part of our broader efforts to respect human rights.

Governance

Our Human Rights Steering Group directs and oversees our approach to addressing human rights risks, including modern slavery, and includes senior representatives from across the business including legal, compliance, audit and assurance and human resources. This group played a central role in the production of this statement.

The GSK Board provides oversight through our well-established governance and risk frameworks 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.

Embedding respect for human rights

Mandatory annual training on our values and Code of Conduct is designed to help our workforce understand how to put our values into practice in their daily working lives and manage ethical dilemmas they may encounter. In 2017, we updated our Code of Conduct training with more information on our commitment to human rights and a labour rights case study to raise awareness of the importance of working with third parties who share our values. During this period, 98% of our employees and 91% of our complementary workers completed the Code of Conduct training. Failure to undertake this training results in disciplinary action and potential dismissal for our employees (further information on this can be found in our Annual Report).

Our Values Assurance programme is designed to identify risk related to values, culture and behaviour by having individual discussions with randomly selected employees and complementary workers across multiple countries (for an overview of this programme see our 2016 Modern Slavery Act statement). This process helps to create an environment where issues – including labour rights violations – can be raised, and rigorous follow up ensures concerns are addressed. In 2017, we issued 19 Values Assurance reviews that 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.
Overseeing third parties
We invest in developing long term relationships and seek to work with third parties that share our commitment to high ethical standards and operate in a responsible way. We have continued to optimise and increase the spend with our preferred supplier base, to enable us to build strong relationships with the suppliers that are most critical to our business.

By the end of 2017, we had deployed the rollout of our third party oversight programme globally, covering 95% of our third parties with whom we directly engage. The programme enables us to identify and manage third party risks, including labour rights, more effectively across all parts of our operations (for an overview of this programme see our 2016 Modern Slavery Act statement).

In 2017, we carried out more than 80,000 third party risk assessments, of which approximately 2,000 third parties were deemed to be at high risk of potential non-compliance from a labour rights perspective based on their country of operation and the type of product or service they provide. Based on the value of the contract, approximately half of these high risk third parties had their policies and processes to manage labour rights risks independently assessed by EcoVadis, a quarter are still in the process of being reviewed and the remainder have failed to respond, in which case we are taking steps to address. Of the third parties that completed an EcoVadis assessment, around 10% fell below the acceptable threshold and were required to make improvements.

Monitoring compliance through audits
In some instances we decide to undertake an on-site audit of a third party which covers labour rights alongside health and safety, ethics, environment and quality processes. Where we identify areas that require improvement, we engage with the relevant third parties to develop correction plans and track their progress. If significant issues are identified and remain unresolved, we may choose to suspend or terminate work with a third party.

Of the 60 third party audits conducted in 2017, there were two findings which were judged to be major labour rights non-compliances. The issues related to wages, benefits and record-keeping for a chemical supplier in India and working hours for a chemical supplier in China. In both cases, we have agreed corrective action plans with the third party.

Reporting and investigating concerns
We want to maintain an open environment where concerns can be raised and people feel confident to speak up. In 2017, we ran a campaign across the business to raise awareness of the multiple channels we offer for people within and outside GSK – such as employees of third parties – to raise issues confidentially and anonymously. Our Speak Up facility is available in 49 languages and the telephone and internet reporting channels are managed independently of GSK. In 2017, we received 2679 reports through our Speak Up facility. These were assessed and investigated further if appropriate. The most frequent categories of reports were employee performance and product promotion. We did not have any reports or investigations that were indicative of modern slavery.

Training
In 2017, using an expert external consultancy, we held a cross-functional workshop with senior managers to build awareness and understanding of potential modern slavery risks in GSK’s operations and supply chains and to identify specific training needs across the business. Participants included colleagues from procurement, audit and assurance, quality, ethics and compliance, legal and human resources. Over the next year, we will be developing further training interventions targeted at different levels and groups within the business to increase awareness of the indicators of modern slavery and how to raise any concerns.
**Actions taken**

In our [2016 statement](#), we committed to take additional steps to strengthen our efforts to prevent modern slavery and other labour rights breaches. Here is a summary of our key points of action, which are described in the narrative above:

<table>
<thead>
<tr>
<th>2016 Commitment</th>
<th>2017 Action</th>
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<tr>
<td>Enhance training on labour rights</td>
<td>Our Code of Conduct was updated with more information on our commitment to human rights and a labour rights case study. We also partnered with an expert external consultancy to deliver a modern slavery workshop to senior managers from across the business</td>
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<tr>
<td>Further roll-out of our third party oversight programme</td>
<td>We deployed the rollout of our third party oversight programme globally, covering 95% of our third parties with whom we directly engage</td>
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<td>Better support our third parties to understand labour rights issues and meet our expectations</td>
<td>We updated our supplier portal and human rights policy with more information on labour rights</td>
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<td>Consider how we need to adjust resource that is allocated to the labour rights area</td>
<td>We created a new role dedicated to driving the company’s understanding and management of human and labour rights</td>
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Simon Dingemans  
Chief Financial Officer  

6th March 2018