

# GSK Public policy positions

## Conflict Minerals

### The Issue

In recent years, there has been increasing international focus on “conflict minerals” emanating from mining operations in the Democratic Republic of the Congo (DRC) and adjoining countries. Armed groups engaged in mining operations in this region are believed to subject workers and indigenous people to serious human rights abuses and are using proceeds from the sale of “conflict minerals” to finance regional conflicts.

In July 2010, in response to these concerns, the United States Congress enacted the Dodd-Frank Act requiring certain public companies to provide annual disclosures about the use of specified “conflict minerals” i.e. cassiterite, columbite-tantalite (coltan) and wolframite, along with their respective derivatives, tin, tantalum and tungsten, and gold (collectively, “3TGs”) emanating from the DRC and nine adjoining countries (collectively, the “Covered Countries”). In August 2012, the US Securities and Exchange Commission (SEC) issued a Rule to implement the new disclosure requirements mandated under the Dodd–Frank Act.

The US legislation is intended to make transparent the financial interests that support armed groups in the DRC area. By requiring companies using “conflict minerals” in their products to disclose the source of such minerals, the law is aimed at dissuading companies from continuing to engage in trade that supports regional conflicts.

The Dodd-Frank Act is applicable to all SEC “issuers” that manufacture or contract to manufacture products where “*conflict minerals are necessary to the functionality or production*” of these products. As a private foreign issuer in the US, GSK must comply with the SEC Rule. This paper summarises our position on “conflict minerals”, including any use of them in our products; our commitment to reduce and ultimately replace any use of “conflict minerals” in our products that benefits armed groups in the “Covered Countries”; and the processes we have in place to meet this commitment.

### GSK’s Position

- GSK supports and is committed to upholding the Universal Declaration of Human Rights [[see GSK’s Human Rights Statement](#)]. We recognise that businesses have a role to play in helping to address any adverse human rights impacts associated with their activities.
- We believe in treating people with respect and dignity. We incorporate these principles into our business processes and relationships [[see GSK’s Public Policy on Working with Third Parties](#)]. As a purchaser of raw materials, we expect our suppliers to adhere to the same high standards to which we adhere, including any disclosure obligations they may have relating to “conflict minerals”.
- GSK condemns the kind of human rights abuses perpetrated and funded by certain “conflict minerals” and we are committed to ensuring the ethical sourcing of any 3TGs used in our products.
- GSK obtains materials from suppliers, as well as finished products from contract manufacturing organisations (CMOs). We expect our suppliers and CMOs (and their respective suppliers) to exercise due diligence around the source and chain of custody of “conflict minerals” used in materials or products they supply to us. To this end:
  - any existing suppliers or CMOs identified as sourcing “conflict minerals” in a manner that benefits armed groups in the “Covered Countries” will be contractually obliged to identify alternative sources. A failure to do so will result in termination of the supply agreement.
  - any new or renewed supply agreements signed by GSK with suppliers and CMOs will seek confirmation that 3TG supplies will be conflict free (i.e. not benefiting armed groups in the “Covered Countries”).
- Ongoing monitoring of materials provided by our suppliers and used by our CMOs during 2018 indicates very limited use of materials containing 3TGs.
- For calendar year 2018, GSK has identified one CMO that provided products to GSK that contained 3TGs that may have been sourced from the “Covered Countries.” Under the SEC Rule, we have therefore filed a Conflict Minerals Report (CMR) describing the additional due diligence relating to that CMO.
  - Going forward, we will continue to work with the CMO to verify the chain of custody relating to the 3TGs used in the product provided to GSK and to identify alternative sources, as necessary.

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## Background

**Definition:** The SEC defines “conflict minerals” as cassiterite, columbite-tantalite (coltan) and wolframite, along with their respective derivatives, tin, tantalum and tungsten, and gold. These minerals are often essential in the manufacture of a variety of devices, including consumer electronics such as mobile phones, laptops, and MP3 players, as well as some healthcare products and medical devices.

**Scope:** The 10 affected countries, or “Covered Countries” defined in the Dodd-Frank Act, are the Democratic Republic of the Congo (DRC), The Republic of the Congo, Central Africa Republic, Tanzania, South Sudan, Burundi, Zambia, Rwanda, Angola and Uganda. According to the SEC, the “Covered Countries” account for 15% - 20% of the world’s supply of tantalum, and smaller percentages of the other three minerals.

## The SEC Rule and the Dodd-Frank Act

The SEC Rule is divided into a three-step compliance process:

**STEP 1:** A company must determine whether it is subject to “conflict minerals” requirements. This involves establishing whether the use of any 3TGs is “*necessary to the functionality or production*” of any products that it manufactures or contracts to manufacture. If the company does have necessary 3TGs in its products, then it must proceed to Step 2.

**STEP 2:** The company must conduct a *Reasonable Country of Origin Inquiry (RCOI)* to determine if it has reason to believe that its “necessary conflict minerals” originated in the “Covered Countries” or originated from recycled or scrap materials. If the company determines that it has no reason to believe that a) its 3TGs originated in the “Covered Countries” or b) its 3TGs did not come from recycled or scrap sources, it must file a Form SD briefly describing its RCOI and that determination. If a company determines that it has reason to believe that its 3TGs originated in the “Covered Countries” and did not come from recycled or scrap sources it must proceed to Step 3.

**STEP 3:** If a company determines, or has reason to believe, that the “conflict minerals” originated in any of the “Covered Countries” and are not from recycled or scrap sources, the SEC Rule requires the company to exercise due diligence on the source and chain of custody of its “conflict minerals” and to file a Conflicts Minerals Report, as appropriate, based on their findings.

The SEC Rule requires a company proceeding to Step 3 to conduct due diligence using a nationally or internationally recognised due diligence framework. Currently the only recognised diligence standard is the OECD ‘*Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas*’. It is designed to help companies avoid directly or indirectly supporting armed conflict in various regions of the world through their mineral or metal purchasing decisions and practices. It includes a five-step framework companies can use to create a responsible supply chain:

1. Establish strong management systems
2. Identify and assess risk in the supply chain
3. Design and implement a strategy to respond to identified risks
4. Carry out independent third-party audit of smelters/refiners’ due diligence practices
5. Report annually on supply chain due diligence

**Disclosure:** Under the SEC Rule companies must post their *Form SD* (and *Conflict Minerals Report*, as appropriate) on their website for one year.

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### Overview of GSK's Supply Chain

The GSK Pharmaceuticals, Vaccines and Consumer Healthcare manufacturing network includes 76 sites in over 35 countries.

We also partner with a network of over 260 external CMOs that supply finished products for sale and distribution by GSK. Product formulations include tablets, creams/ointments, inhalers, injections, liquids and sterile products.

We expect our suppliers, our CMOs and their respective suppliers to exercise due diligence around the source and chain of custody of 3TGs used in materials or products they supply to us. An assessment of risk associated with 3TG materials has therefore been fully embedded into our Third Party Oversight (TPO) process; a Risk Assessment is carried out on all high risk engagements (determined by spend, geography and goods or services being sourced). This additional level of due diligence provides future assurance for new business engagements that the use of 3TG materials is understood and assessed appropriately

3TGs identified in our supply chain are included in our '*Product Change Control Process*' and appropriate monitoring of their source and chain of custody is thereby maintained.

GSK has a 3TGs Compliance Programme, sponsored by our Chief Financial Officer, that follows the OECD Guidance. It includes a Steering Committee, which monitors compliance with our 3TG policies and our annual reporting obligations. GSK's Procurement Organisation is responsible for implementing our 3TGs compliance strategy and GSK's senior management is briefed about the results of our due diligence efforts on a regular basis.

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