

Corporate Governance

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Chairman's Governance statement

“Our purpose and values have always been a source of great pride for the Board and our employees. It is a powerful force in attracting and retaining talented people who, as individuals, want to be part of a company that contributes meaningfully to society.”

Dear Shareholder

I am pleased to present our Corporate Governance report for 2018.

Our governance structure operates from the Board across the Group and we believe it underpins our ability to deliver our strategy and create long-term value and benefit for our shareholders and stakeholders.

I can confirm that throughout 2018 the company complied with the requirements of the Financial Reporting Council's (FRC) UK Corporate Governance Code (current Code) except that Dr Vivienne Cox was unable to attend the company's 2018 AGM. She was required to attend a board meeting of another public company as their Senior Independent Director and Nomination & Governance Chair. This resulted in partial non-compliance with current Code provision E.2.3.

A copy of the current Code is available on www.frc.org.uk.

The following pages set out details on the composition of our Board, its corporate governance arrangements, processes and activities during the year, together with reports from each of the Board's Committees. In addition, related statutory disclosures are set out in the Shareholder Information section on pages 251 to 270.

Corporate governance reform

During the year, The Companies (Miscellaneous Reporting) Regulations 2018 were published in conjunction with the FRC's new Code (the Reforms). The Reforms seek to raise the bar on existing corporate governance practices and encourage companies to demonstrate their broader responsibility within society, in fulfilment of the Government's aim to build trust in business. At their core, they:

- require boards to report on how they have had regard to matters set out in section 172 of the Companies Act 2006, including stakeholder impacts, when fulfilling their directors' duties;
- introduce new requirements around employee consultation, pay practices, board culture, composition and diversity; and
- encourage companies to report on how the new Code's principles have been applied each year.

The Reforms came into effect on 1 January 2019 and seek to drive a number of changes to companies' underlying corporate governance processes. As a result, the Board has reviewed our existing practices to identify where they are in line with the Reforms and implemented enhancements where appropriate. We will report against the Reforms in next year's Annual Report to allow time to embed these new practices in our corporate governance framework and to monitor their operation and effectiveness.

However, I wish to highlight in this Report some of the more significant implementation steps which may be of interest to our investors and wider stakeholders. These include the early publication of our CEO pay ratio on page 106 and the designation of Dr Vivienne Cox as our Workforce Engagement Director, which is discussed on page 90. We have also further strengthened reporting on our stakeholder relationships agenda by:

- summarising our approach and the mechanisms we have in place to promote stakeholder engagement on page 11;
- highlighting the specific role our Corporate Responsibility Committee plays in monitoring, identifying and addressing the evolving views and expectations of our broad range of stakeholders on pages 92 and 93; and
- describing how we respond to the expectations of our stakeholders to remain commercially successful, protect our reputation and build trust by:
 - using our science and technology to reduce health needs
 - making our products more affordable and available
 - being a modern employer.

Our purpose, strategy and culture

Our purpose is to help people do more, feel better and live longer and this is underpinned by our values of patient focus, integrity, respect and transparency. Our purpose and values have always been a source of great pride for the Board and our employees. It is a powerful force in attracting and retaining talented people who, as individuals, want to be part of a company that contributes meaningfully to society. Emma Walmsley was keen to preserve this commitment to our purpose and values as she and her team developed the company's priorities around IPT, supported by evolving a culture to foster more pace and performance edge. The Board receives regular papers from the CEO, Head of Human Resources and our global businesses, that update it on progress on the alignment between our strategy and our performance and values-based culture that was introduced at the start of 2018.

Culture change in a complex, global organisation such as GSK takes time and sustained effort. However, we are seeing some encouraging signs that our new expectations are taking effect and supporting our strategy. This ultimately should enable swifter progress in getting new medicines, vaccines and consumer healthcare products to our patients and consumers around the world.

Risk management

The Board continues to consider GSK's Enterprise risks and the strategies to address them. Reviews of the risks were undertaken throughout the course of the year, including whether the key Enterprise risks affecting the respective businesses are being managed and mitigated in a proportionate way, and management's commitment to maintain a strong controls culture.

Also of note is the recent decision by the Serious Fraud Office, in the UK, to close its investigation having concluded that no further action is required. The investigation had focused on commercial practices by the company, its subsidiaries and associated persons. The company's own findings have led to further improvements in the control environment. Investigations by the US Securities and Exchange Commission and Department of Justice remain ongoing.

Succession process

In closing, I informed the Board at the start of the year of my intention to retire from the Board once a successor has been appointed. Our Senior Independent Director, Vindi Banga, is leading the process to identify and recruit my successor to lead the Board into the next phase of its development. His update on the process and the desired attributes sought in a new Chairman are set out on page 78.

It has been a privilege to serve as Chairman of GSK for the last four years and to observe the positive impact on the company that Emma has made in such a relatively short time as CEO. This Annual Report demonstrates the clarity of the current strategy that has resulted in an improvement in the performance of the business. However, I feel that it is the right time to hand over the reins to a new Chair to have a clear run at overseeing the eventual separation of GSK into two world-class businesses. In doing so, I am confident that my successor will continue the crucial role of the Chair in promoting and supporting our strategy for the long-term benefit of our shareholders, patients, employees and other stakeholders.

I commend this report to all of our stakeholders.

Philip Hampton
Chairman

11 March 2019

Our Board

Board composition		Gender diversity			
Composition		Board At date of publication		Board At close of AGM on 8 May 2019	
Executive	33.3%	Male	58.3%	Male	54.5%
Non-Executive	66.7%	Female	41.7%	Female	45.5%
Tenure Non-Executive		Executive		Executive	
Up to 3 years	25%	Male	75%	Male	66.7%
3-6 years	50%	Female	25%	Female	33.3%
7-9 years	25%	Non-Executive		Non-Executive	
International experience		Male	50%	Male	50%
Global	83%	Female	50%	Female	50%
US	100%				
Europe	92%				
EMAP	67%				

Philip Hampton 65
Non-Executive Chairman N

Nationality

British

Appointed

1 January 2015. Deputy Chairman from 1 April 2015 and Non-Executive Chairman from 7 May 2015

Skills and experience

Prior to joining GSK, Philip chaired major FTSE 100 companies, including The Royal Bank of Scotland Group plc and J Sainsbury plc. He has also served as Group Finance Director at Lloyds TSB Group plc, BT Group plc, BG Group plc, British Gas plc and British Steel plc. Philip was previously an Executive Director of Lazards and a Non-Executive Director of RMC Group Plc and Belgacom SA. Until 2009, he was Chairman of UK Financial Investments Limited, which manages the UK Government's shareholdings in banks. Philip was Senior Independent Director of Anglo American Plc between 2014 and 2018, having served on its Board since 2009.

External appointments

Philip is Chair of the Hampton-Alexander Review of FTSE Women Leaders, an independent review on improving gender balance in FTSE leadership.

As announced in January 2019, Philip will step down as Non-Executive Chairman and the Board has started the process of identifying his successor.

Emma Walmsley 49
Chief Executive Officer

Nationality

British

Appointed

1 January 2017. Chief Executive Officer from 1 April 2017

Skills and experience

Prior to her appointment as GSK's CEO, Emma was the CEO of GSK Consumer Healthcare, leading its creation as a Joint Venture between GSK and Novartis in March 2015 (solely owned by GSK since June 2018). Emma joined GSK in 2010 from L'Oreal, having worked for 17 years in a variety of roles in Paris, London, New York and Shanghai.

Emma holds an MA in Classics and Modern Languages from Oxford University.

External appointments

Emma co-chairs the Consumer, Retail and Life Sciences Council, a business advisory group for the UK Government, and is an Honorary Fellow of the Royal Society of Chemistry.

Simon Dingemans 55
Chief Financial Officer

Nationality

British

Appointed

4 January 2011. Chief Financial Officer from 1 April 2011

Skills and experience

Prior to joining GSK, Simon had over 25 years of experience in investment banking at SG Warburg and Goldman Sachs. Simon advised GSK for over a decade before his appointment and was closely involved in a number of GSK's key strategic projects. Simon was previously Chairman of the 100 Group of Finance Directors between 2014 and 2016.

External appointments

Simon is a Trustee of The Donmar Warehouse.

Simon will step down from the Board at the conclusion of the AGM on 8 May 2019.

Key

- Committee Chair
- N Nominations
- A Audit & Risk
- R Remuneration
- S Science
- C Corporate Responsibility

Iain Mackay 57

Chief Financial Officer Designate

Nationality

British

Appointed

14 January 2019. Chief Financial Officer from 1 April 2019

Skills and experience

Prior to joining GSK, Iain was Group Finance Director at the global bank HSBC Holdings plc, a position he held for eight years. A chartered accountant, Iain has worked in Asia, the US and Europe and before HSBC was at General Electric, Schlumberger Dowell and Price Waterhouse.

External appointments

Iain is a Trustee of the British Heart Foundation and a member of the Court of the University of Aberdeen.

Iain holds an MA in Business Studies and Accounting, and an Honorary Doctorate from Aberdeen University in Scotland.

Dr Hal Barron 56

Chief Scientific Officer and President, R&D

Nationality

American

Appointed

1 January 2018

Skills and experience

Prior to joining GSK, Hal was President R&D at Calico LLC (California Life Company), an Alphabet-funded company that uses advanced technologies to increase understanding of lifespan biology. Prior to joining Calico, Hal was Executive Vice President, Head of Global Product Development, and Chief Medical Officer of Roche, responsible for all the products in the combined portfolio of Roche and Genentech. At Genentech, he was Senior Vice President of Development and Chief Medical Officer. Hal was a Non-Executive Director and Chair of the Science & Technology Committee at Juno Therapeutics, Inc until March 2018, when it was acquired by Celgene Corporation.

External appointments

Hal is Associate Adjunct Professor, Epidemiology & Biostatistics, University of California, San Francisco. He is also a Non-Executive Board Director of GRAIL, Inc, an early cancer detection healthcare company and a member of the Advisory Board of Verily Life Sciences LLC, a subsidiary of Alphabet Inc.

Manvinder Singh (Vindi) Banga 64

Senior Independent Non-Executive Director (N) (A) (R)

Nationality

British

Appointed

1 September 2015 and as Senior Independent Non-Executive Director from 5 May 2016

Skills and experience

Prior to joining GSK, Vindi spent 33 years at Unilever plc, where his last role (amongst several senior positions) was President of the Global Foods, Home and Personal Care businesses, and a member of the Unilever Executive Board. Vindi sat on the Prime Minister of India's Council of Trade & Industry from 2004 to 2014, and was on the Board of Governors of the Indian Institute of Management (IIM), Ahmedabad. Vindi is also the recipient of the Padma Bhushan, one of India's highest civilian honours. Vindi has been a Non-Executive Director of Thomson Reuters Corp, Chairman of the Supervisory Board of Mauser Group and Senior Independent Director of Marks & Spencer Group Plc.

External appointments

Vindi is a Partner at private equity investment firm Clayton Dubilier & Rice, Chairman of Kalle GmbH, a Director of High Ridge Brands Co and a member of the Holdingham International Advisory Board. Vindi is a Non-Executive Director of the Confederation of British Industry (CBI), sits on the Governing Board of the Indian School of Business, Hyderabad and the Global Leadership Council of Saïd Business School, Oxford and is a member of the Indo UK CEO Forum. Vindi is Chair of the Board of Trustees of Marie Curie.

Dr Vivienne Cox 59

Independent Non-Executive Director & Workforce Engagement Director (R) (C)

Nationality

British

Appointed

1 July 2016

Skills and experience

Vivienne has wide experience of business gained in the energy, natural resources and publishing sectors. She also has a deep understanding of regulatory and government relationships. She worked for BP plc for 28 years, in Britain and continental Europe, in posts including Executive Vice President and Chief Executive of BP's gas, power and renewable business and its alternative energy unit. Vivienne was previously a Non-Executive Director of BG Group plc and Rio Tinto plc and Lead Independent Director at the UK Government's Department for International Development. Vivienne was appointed Commander of the Order of the British Empire in the 2016 New Year Honours for services to the UK Economy and Sustainability.

External appointments

Vivienne is Senior Independent Director of Pearson plc, a Non-Executive Director of Stena AB and Chairman of the Supervisory Board of Vallourec. She is an Advisory Board Member of the African Leadership Institute, Chair of Rosalind Franklin Institute, Vice President of the Energy Institute and a member of the advisory board of Montrose Associates. Vivienne sits on the Global Leadership Council of Saïd Business School, Oxford and is Patron of the Hospice of St Francis.

Lynn Elsenhans 62

Independent Non-Executive Director (C) (N) (A)

Nationality

American

Appointed

1 July 2012

Skills and experience

Lynn has a wealth of experience of running a global business and significant knowledge of the global markets in which GSK operates. She served as Chair, President and Chief Executive Officer of Sunoco Inc from 2009 to 2012. Prior to joining Sunoco in 2008 as President and Chief Executive Officer, Lynn worked for Royal Dutch Shell, which she joined in 1980, and where she held a number of senior roles, including Executive Vice President, Global Manufacturing from 2005 to 2008. Lynn was previously a Non-Executive Director of Flowserve Corporation, the First Tee of Greater Houston, and a Trustee of the United Way of Greater Houston.

External appointments

Lynn is a Non-Executive Director of Baker Hughes, a GE company, and Chair of its Audit Committee, as well as a Board Director of Saudi Aramco. In addition, Lynn is a Director of the Texas Medical Center.

Our Board continued

Dr Laurie Glimcher 67

Independent Non-Executive Director and Scientific & Medical Expert

(A) (S)

Nationality

American

Appointed

1 September 2017

Skills and experience

In addition to a number of senior leadership positions held at both Harvard Medical School and Harvard School of Public Health, Laurie also served as Stephen and Suzanne Weiss Dean and Professor of Medicine at Weill Cornell Medical College and as an Attending Physician at the New York Presbyterian Hospital/Weill Cornell Medical Center. Laurie stepped down from the Board of Bristol-Myers Squibb Co (BMS) in 2017 after serving for 20 years on its Board. Laurie brings scientific and public health expertise to the Board's deliberations, and a wealth of global, publicly listed, pharmaceutical business experience.

External appointments

Laurie is currently Professor of Medicine at Harvard Medical School and is CEO, President and an Attending Physician at the Dana-Farber Cancer Institute.

Laurie is a member of the US National Academy of Sciences and the National Academy of Medicine. She is a member of the Scientific Steering Committee of the Parker Institute for Cancer Immunotherapy and a Non-Executive Director of the Waters Corporation, where she also serves on its Corporate Governance Committee. In addition, Laurie is co-founder and Chair of the Scientific Advisory Board of Quentis Therapeutics Inc. She is a Scientific Advisory Board member of Repare Therapeutics Inc, Abpro Therapeutics and Kaleido Biosciences Inc.

Dr Jesse Goodman 67

Independent Non-Executive Director and Scientific & Medical Expert

(S) (C)

Nationality

American

Appointed

1 January 2016

Skills and experience

Jesse previously served in senior leadership positions at the US Food and Drug Administration (FDA), including most recently as the FDA's Chief Scientist and previously as Deputy Commissioner for Science and Public Health and as Director of the Center for Biologics Evaluation and Research (CBER).

Jesse played a leadership role in developing the FDA's Regulatory Science and Medical Countermeasures Initiatives and has worked collaboratively with industry, academia, government and global public health and regulatory partners to prepare for and respond to major public health threats, including emerging infectious diseases, disasters and terrorism. He led the FDA's response to West Nile Virus and to the 2009 H1N1 influenza pandemic and served on the Senior Leadership Team for the 2010 White House Medical Countermeasure Review. Jesse brings scientific and public health expertise to the Board's deliberations.

External appointments

Jesse, currently Professor of Medicine at Georgetown University, directs the Georgetown University Center on Medical Product Access, Safety and Stewardship (COMPASS) and is an active clinician who serves as Attending Physician in Infectious Diseases. He also serves as President and Member of the Board of the United States Pharmacopeia (USP), a member of the Regulatory and Legal Working Group of the Coalition for Epidemic Preparedness Innovations (CEPI) and of the US National Academy of Medicine. Jesse is a member of the Board of Intellia Therapeutics, Cambridge, MA.

Judy Lewent 70

Independent Non-Executive Director (A) (N) (R) (S)

Nationality

American

Appointed

1 April 2011

Skills and experience

Judy has extensive knowledge of the global pharmaceutical industry and of corporate finance, having joined Merck & Co in 1980 and then served as its Chief Financial Officer from 1990 to 2007 when she retired. Judy served as a Non-Executive Director of Dell Inc, Quaker Oats Company and Motorola Inc, and held Non-Executive Directorships at Purdue Pharma Inc, Napp Pharmaceutical Holdings Limited and certain Mundipharma International Limited companies until 2014.

The Board has determined that Judy has recent and relevant financial experience, and agreed that she has the appropriate qualifications and background to be an audit committee financial expert.

External appointments

Judy is a Non-Executive Director of Thermo Fisher Scientific Inc and Motorola Solutions Inc. She is also a Trustee of the Rockefeller Family Trust, a life member of the Massachusetts Institute of Technology Corporation, a member of the American Academy of Arts and Sciences and a member of the Business Advisory Board of twoXAR.

Urs Rohner 59

Independent Non-Executive Director (R) (N)

Nationality

Swiss

Appointed

1 January 2015

Skills and experience

Urs has a broad range of business and legal experience having served as Chairman on a number of Boards, most recently for Credit Suisse, a world-leading financial services company. Prior to joining Credit Suisse in 2004, Urs served as Chairman of the Executive Board and CEO of ProSieben and ProSiebenSat.1 Media AG. This followed a number of years in private practice at major law firms in Switzerland and the US, having been admitted to the bars of the canton of Zurich in Switzerland in 1986 and the state of New York in the US in 1990.

External appointments

Urs is Chairman of the Board of Credit Suisse Group AG and of its Chairman's and Governance Committee. He is also Chairman and member of the Board of Trustees of Credit Suisse Research Institute and Credit Suisse Foundation. Urs was appointed Vice-Chairman of the Governing Board of the Swiss Bankers Association in 2015.

Our Corporate Executive Team

Emma Walmsley
Chief Executive Officer

Simon Dingemans*
Chief Financial Officer

Iain Mackay*
Chief Financial Officer Designate

Dr Hal Barron
Chief Scientific Officer
and President, R&D

⊕ For biographical details, see pages 68 and 69

Roger Connor
President, Global Vaccines

Roger joined the CET in 2013. He was appointed President of GSK Global Vaccines in 2018. In addition to leadership of the Vaccines business, he is responsible for GSK's global procurement organisation. Previously, he was President, Global Manufacturing & Supply and, before that, Vice President, Office of the CEO and Corporate Strategy. Roger joined GSK in 1998 from AstraZeneca.

Roger holds a degree in Mechanical and Manufacturing Engineering from Queen's University, Belfast and a Master's in Manufacturing Leadership from Cambridge University. He is a Chartered Accountant.

James Ford
Senior Vice President & General Counsel

James joined the CET in 2018, when he was appointed Senior Vice President and General Counsel. He joined GSK in 1995 and has served as General Counsel Consumer Healthcare, General Counsel Global Pharmaceuticals, Vice President of Corporate Legal and Acting Head of Governance, Ethics and Compliance.

Prior to GSK, James was a solicitor at Clifford Chance and DLA. He holds a law degree from University of East Anglia and a Diploma in Competition Law from Kings College. He is qualified as a solicitor in England and Wales, and is an attorney at the New York State Bar.

Nick Hiron
Senior Vice President, Global Ethics
and Compliance

Nick was appointed to the CET in 2014 as Senior Vice President, Global Ethics and Compliance, responsible for compliance, risk management, corporate security and investigations.

Nick joined GSK in 1994 as an International Auditor. He was later Head of Audit & Assurance, where he combined five audit functions into an independent team with a common risk-based methodology. In 2013, Nick relocated to China to establish a governance model for our China business that created a consistent approach to compliance.

Nick is a fellow of the Chartered Institute of Management Accountants.

Brian McNamara
CEO, GSK Consumer Healthcare

Brian joined the CET in 2016, when he was appointed CEO, GSK Consumer Healthcare. He joined GSK in 2015 as Head of Europe and Americas for GSK Consumer Healthcare, following the creation of a Joint Venture between GSK and Novartis. Previously, he was head of Novartis' OTC division. Brian began his career at Procter and Gamble.

Brian is a Board Member of the World Self-Medication Industry Association, serving as Chairman from February 2017 to March 2019, and is a Board Member of the Consumer Goods Forum. He earned an undergraduate degree in Electrical Engineering from Union College in New York and an MBA in Finance from the University of Cincinnati.

Luke Miels
President, Global Pharmaceuticals

Luke joined GSK and the CET in September 2017 as President, Global Pharmaceuticals, responsible for our commercial portfolio of medicines and vaccines.

Previously, he worked for AstraZeneca as Executive Vice President of their European business and, prior to that, was Executive Vice President of Global Product and Portfolio Strategy, Global Medical Affairs and Corporate Affairs. Before then, he held roles of increasing seniority at Roche and Sanofi-Aventis in the US, Europe and Asia. He is a member of the Board for ViiV Healthcare.

Luke holds a Bachelor of Science degree in Biology from Flinders University in Adelaide and an MBA from the Macquarie University, Sydney.

David Redfern
Chief Strategy Officer

David joined the CET as Chief Strategy Officer in 2008 and is responsible for corporate development and strategic planning. Previously, he was Senior Vice President, Northern Europe with responsibility for GSK's pharmaceutical businesses in that region and, prior to that, he was Senior Vice President for Central and Eastern Europe. He joined GSK in 1994.

David was appointed Chairman of the Board of ViiV Healthcare Limited in 2011 and a Non-Executive Director of the Aspen Pharmacare Holdings Limited Board in 2015. He has a Bachelor of Science degree from Bristol University and is a Chartered Accountant.

Regis Simard
President, Pharmaceuticals Supply Chain

Regis joined the CET in 2018, when he became President, Pharmaceuticals Supply Chain. He is responsible for the manufacturing and supply of GSK's pharmaceutical products. He also leads Quality and Environment, Health, Safety and Sustainability at a corporate level.

Regis joined GSK in 2005 as Site Director at Notre Dame de Bondeville, rising to become Senior Vice President of Global Pharmaceuticals Manufacturing before his current role. Previously, he held senior positions at Sony, Konica Minolta and Tyco Healthcare. He is a member of the Board for ViiV Healthcare. He is a mechanical engineer and holds an MBA.

Karenann Terrell
Chief Digital & Technology Officer

Karenann joined GSK and the CET in 2017 as Chief Digital & Technology Officer, responsible for our technology, digital, data and analytics strategy.

Previously, she worked for Walmart as Chief Information Officer. Prior to this, she was at Baxter International, where she was Chief Information Officer, and before that Daimler Chrysler Corporation. Karenann began her career at General Motors.

Karenann is a member of the board of trustees for the New York Hall of Science and in 2017 she became a Non-Executive Director of Pluralsight LLC. She earned graduate and post-graduate degrees in Electrical Engineering from Kettering and Purdue Universities respectively.

Claire Thomas
Senior Vice President, Human Resources

Claire was appointed to the CET as Senior Vice President, Human Resources in 2008. She joined the Company in 1996 as Senior Manager, Human Resources, Sales and Marketing Group, UK Pharmaceuticals before becoming Director of Human Resources for UK Pharmaceuticals in 1997. She was appointed Senior Vice President, Human Resources, Pharmaceuticals Europe in 2001, and Senior Vice President, Human Resources, Pharmaceuticals International in 2006.

Prior to GSK, Claire worked for the Ford Motor Company, holding various positions in Human Resources. She has a Bachelor of Science degree in Economics, Management and Industrial Relations from the University of Wales.

Phil Thomson
President, Global Affairs

Phil joined the CET in 2011. He was appointed President, Global Affairs in 2017, with responsibility for the Group's strategic approach to reputation, policy development and stakeholder engagement.

Previously, Phil was Senior Vice President, Communications and Government Affairs.

Phil is Chairman of The Whitehall & Industry Group and a Board Member of the China-Britain Business Council. He earned his degree in English, History and Russian Studies from Durham University.

* Simon Dingemans will step down from the CET on 31 March 2019 and Iain Mackay will take formal responsibility as CFO from 1 April 2019.

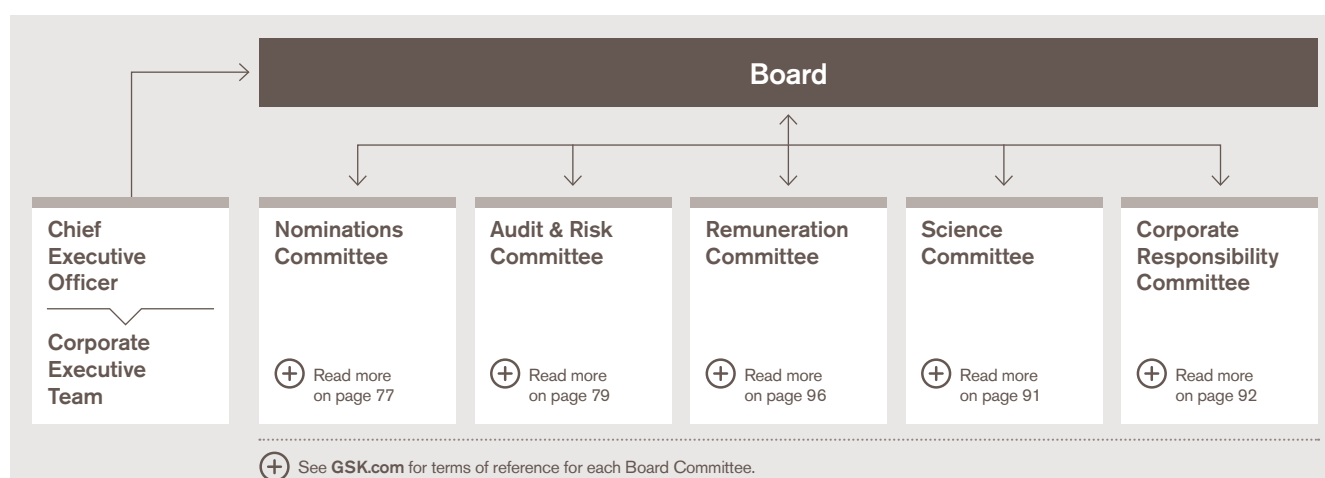
Luc Debruyne, Dan Troy and Sir Patrick Vallance were members of the CET before leaving the company in December 2018, January 2019 and March 2018 respectively.

Leadership and effectiveness

Corporate governance framework

The Board has established a corporate governance framework with clearly defined responsibilities and accountabilities. The framework is designed to safeguard and enhance long-term shareholder value and to provide a platform to realise the Group's strategy through GSK's long-term priorities of Innovation, Performance and Trust, that is consistent with its culture, values and expectations. Our internal control and risk management arrangements, described on pages 87 to 88 and 34 to 36, are an integral part of our governance framework.

For the Board to operate effectively and to give full consideration to key matters, Board Committees have been established as set out below.



Scheduled Board and Committee attendance during 2018

	Board	Nominations	Audit & Risk	Remuneration	Science	Corporate Responsibility
Total number of scheduled meetings	6	6	6	5	3	5
Members	Attended	Attended	Attended	Attended	Attended	Attended
Philip Hampton	6	6				
Emma Walmsley	6					
Simon Dingemans	6					
Dr Hal Barron	6					
Vindi Banga	6	6	6	5		
Dr Vivienne Cox	6			5		4
Lynn Elsenhans	6	6	6			5
Dr Laurie Glimcher	6		6		3	
Dr Jesse Goodman	6				3	5
Judy Lewent	6	6	6	5	3	
Urs Rohner	6			5		
Sir Patrick Vallance Stepped down on 31 March 2018	2 (2)					
Professor Sir Roy Anderson Retired on 3 May 2018	3 (3)				2 (2)	2 (2)
Number of ad-hoc meetings	37	3	6	6	3	1

For Directors who served for part of the year, the numbers in brackets denote the number of meetings the Directors were eligible to attend.

(+) See the Committee Reports for other attendees at Committee meetings, such as the Chairman, CEO and other Executive Directors, and the work of the Committees during the year. These reports are included later in the Corporate Governance Report.

2018 Board programme

The Board is responsible for the long-term success of the company and has the authority, and is accountable to shareholders, for ensuring that the Group is appropriately managed and achieves the strategic objectives it sets. In the performance of these duties, it has regard to the interests of other key stakeholders and is cognisant of the potential impact of the decisions it makes. The Board discharges those responsibilities through an annual programme of meetings and during the year it focused on a number of specific areas outlined in the table, in line with its long-term IPT priorities underpinned by a continuing shift in culture. In addition, during the year the CEO met with Non-Executive Directors to discuss various matters, including the progress on the company's strategy, succession planning and continuing regulatory investigations.

Areas of focus		Long-term priorities link
Strategy	The Board's oversight of the execution of our strategy included:	
	– Receiving and discussing reports from our three principal businesses: Pharmaceuticals, Vaccines and Consumer Healthcare	I P T C
	– Receiving IPT transformation programme	I P T C
	– Scrutinising and approving new R&D strategy	I P T C
	– Holding joint Board and Corporate Executive Team strategy day to discuss IPT priorities against external landscape changes, business performance, competitors and governance arrangements	I P T C
	– Scrutinising and approving major Consumer deals with Novartis, Pfizer and Unilever	I P T
	– Scrutinising and approving an oncology deal to purchase Tesaro	I P T
	– Receiving and discussing reports on our pensions, insurance, tax and treasury strategies	P T
Performance	The Board's focus on performance included:	
	– Evaluating the CEO's 2017 performance and setting her 2018 objectives	I P T C
	– Setting, reviewing and agreeing the annual budget and forward looking three year plan	P T
	– Receiving reports from the CEO on our three principal businesses	I P T C
	– Scrutinising the Group's financial performance	P T
	– Approving a major Group restructuring plan	I P T
	– Reviewing our digital, data and analytics capabilities and opportunities	I P T
Governance	The Board's approach to discharging its corporate governance duties included:	
	– Receiving reports from Board Committees	T
	– Approving the 2017 Annual Report	T
	– Reviewing AGM preparation and approving the 2018 Notice of AGM and a General Meeting to approve the transaction with Novartis	T
	– Considering observations and agreeing actions from the independent external evaluation of the Board's performance	T C
	– Receiving reports on corporate governance and regulatory developments	T C
	– Approving appointment of new auditor	T
	– Undertaking training on GSK's Code of Conduct and Anti-bribery and corruption	T C
	– Approving the appointment of a new Chief Financial Officer	I P T
Cultural transformation	The Head of HR briefed the Board on:	
	– Aligning GSK's culture and values to support our strategy and long-term priorities	P T C
Engagement	The Board's regard for stakeholder impacts included:	
	– Reviewing and approving a new Trust framework that has been set in the context of external trends and stakeholder expectations	T C
	– Receiving regular external stakeholder development reports	T C
	– Approving the evolution of our approach and changes to medical engagement with key external experts	I P T
	– Designating Dr Vivienne Cox as Workforce Engagement Director to gather the views of the Group's workforce	I P T C

Leadership and effectiveness continued

Key Board roles and responsibilities

Leadership

Chairman

Philip Hampton

- Leads and manages the business of the Board
- Provides direction and focus
- Ensures clear structure for effective operation of the Board and its Committees
- Sets Board agenda and ensures sufficient time is allocated to promote effective debate to support sound decision making
- Ensures the Board receives precise, timely and clear information
- Meets with each Non-Executive Director on an annual basis to discuss individual contributions and performance, together with training and development needs
- Shares peer feedback that is provided as part of the Board evaluation process
- Meets with all the Non-Executive Directors independently of the Executive Directors
- Maintains a dialogue with shareholders on the governance of the company.

 The Chairman's role description is available on GSK.com

Chief Executive Officer Emma Walmsley

- Is responsible for the management of the Group and its three businesses
- Develops the Group's strategic direction for consideration and approval by the Board
- Implements the agreed strategy
- Is supported by members of the Corporate Executive Team
- Maintains a continual and active dialogue with shareholders in respect of the company's performance.

 The Chief Executive Officer's role description is available on GSK.com

Independent oversight and rigorous challenge

Non-Executive Directors

- Provide a strong independent element to the Board
- Constructively support and challenge management and scrutinise their performance in meeting agreed deliverables
- Shape proposals on strategy and management
- Each has a letter of appointment setting out the terms and conditions of their directorship
- Devote such time as is necessary to the proper performance of their duties
- Are expected to attend all meetings as required.

Independence statement

The Board considers all of its Non-Executive Directors who are identified on pages 68 to 70 to be independent. They each demonstrate an appropriate degree of independence in character and judgement and are free from any business or other relationship which could materially interfere with the exercise of their judgement. The independence and commitment of Lynn Elsenhans and Judy Lewent, who have served on the Board for over six years, has been subjected to a rigorous review.

Senior Independent Non-Executive Director Vindi Banga

- Acts as a sounding board for the Chairman and a trusted intermediary for other Directors
- Together with the Non-Executive Directors, leads the annual review of the Chairman's performance, taking into account views of the Executive Directors
- Discusses the results of the Chairman's effectiveness review with the Chairman
- Leads the search and appointment process and recommendation to the Board of a new Chairman
- Acts as an additional point of contact for shareholders
- In doing so, maintains an understanding of the issues and concerns of major shareholders through briefings from the Investor Relations team and the Company Secretary.

 The Senior Independent Non-Executive Director's role description is available on GSK.com

Company Secretary Victoria Whyte

- Secretary to the Board and all Board Committees
- Supports the Board and Committee Chairs in annual agenda planning
- Ensures information is made available to the Board members in a timely fashion
- Supports the Chairman in designing and delivering Board inductions
- Coordinates continuing business awareness and training requirements for the Non-Executive Directors
- Undertakes internal Board and Committee evaluations at the request of the Chairman
- Advises the Directors on Board practice and procedures and corporate governance matters
- Chairs the Group's Disclosure Committee
- Is a point of contact for shareholders on corporate governance matters.

Board induction and development

The Company Secretary assists the Chairman in designing and facilitating individual induction programmes for new Directors. They are designed with the purpose of orientating and familiarising new Directors with our industry, organisation, governance and our long-term IPT priorities.

New CET members meet with Board members as part of their induction, and to ensure the Board maintains its connections with the CET.

Induction

Each new Director receives a general induction, which includes their duties and responsibilities as a Director of a listed company, the company's Corporate Governance structure and undertaking training on GSK's Code of Conduct. A personalised induction is then devised which is individually tailored to each new Director's background, education, experience and role.

The induction programme for Executive Directors normally includes an explanation of the role of an Executive Director, if appropriate, building relationships with the Chairman, Board and the CET and arranging to fill any capability gaps the new Director may have.

The Chief Financial Officer Designate's induction programme was tailored for Iain Mackay, a highly experienced global CFO, and commenced when he joined the Board in January 2019. It includes the following features:

- familiarisation with the industry and GSK;
- introduction to the Finance organisation and GSK's financial structure; and
- introduction to senior management, other CET members and advisors to the company.

The induction programme for Non-Executive Directors normally includes introductory meetings with members of the CET and other senior executives to explain the company's business and financial structure, the commercial and regulatory environment in which we operate, our competitors and an investor's perspective.

Visits to our business operations are also a feature of Non-Executive and Executive Directors' induction programmes.

Board, business and key stakeholder awareness

To ensure that our Non-Executive Directors develop and maintain a greater insight and understanding of the business and key stakeholders, they:

- are invited to attend internal management meetings, including meetings of the CET;
- meet employees informally during visits to the Group's operations and at receptions held with staff around Board meetings;
- receive monthly investor relations and stakeholder reports to maintain awareness of investor and stakeholder views and competitors' performance and strategy; and
- measure progress in implementing our long-term IPT priorities and evolving our culture through an all-employee survey undertaken every six months and through reports on the regular conversations the CET has directly with the workforce through the Let's Talk programme.

Training

The Chairman meets with each Director annually on a one-to-one basis to discuss his or her continuing training and development requirements. The Board is kept up to date on legal, regulatory and governance matters through regular papers and briefings from the Company Secretary and presentations by internal and external advisers.

During 2018, the Board members undertook and completed training on GSK's Code of Conduct and Anti-bribery and corruption.

Leadership and effectiveness continued

2018 Internal evaluation of the Board

The Board carries out an evaluation of its performance and the performance of its Committees every year which is facilitated externally every third year. The progress of the Board against the outcomes of the 2017 external evaluation, which was facilitated by Ms Ffion Hague of Independent Board Evaluation, is disclosed below.

The 2018 Board and Committees evaluation process was conducted internally by the Company Secretary who:

- interviewed each Director with a small number of focused questions;
- drew all the responses together from the information gathered and discussed the outcomes and recommendations with the Chairman; and
- following discussion with the Board as a whole, identified areas of focus and improvement for the Board which are set out below.

Further improvements and areas of focus for the Board were identified and are set out below.

Board performance action points for 2019

Further improvements

- Succession planning for the Board

Areas of focus for 2019

The SID is running the search process for the next Chairman supported by a global executive search firm. Attendance at the Nominations Committee for this process has been expanded to include all Non-Executive Directors. Further details are set out on page 78.

The Nominations Committee has also been progressing the search for a successor for Judy Lewent, the Chair of the Audit & Risk Committee.

- Oversight of R&D and pipeline revival and key business development transactions, and the proposed Consumer Healthcare joint venture with Pfizer

The Board will continue to monitor the performance of R&D and the pipeline and the integration and operation of the key business development transactions including: Tesaro, 23andMe, Merck KGaA, Darmstadt, Germany. It will also be reviewing and overseeing arrangements for the proposed Consumer Healthcare joint venture with Pfizer.

- Building Board relationships and culture in line with the CEO's culture work across the Group

Continuing the evolution of the Board's culture and building relationships as the membership has changed is an important area of focus especially with the impending Chairman succession.

- Further enhancing the Board's decision-making and ways of working

Opportunities to further enhance the Board's decision-making and ways of working will continue to be considered to ensure that the Board can operate as effectively as possible.

2018 Board performance

Progress against the conclusions of the 2017 Board evaluation review is set out below.

Areas of focus for 2018

- A review of R&D strategy following the appointment of the new Chief Scientific Officer and President, R&D

Progress/Achievements

The Board reviewed and approved Dr Hal Barron's new approach to R&D which was announced with the company's Q2 results. The new approach focused on science relating to the immune system, the use of genetics and investments in advanced technologies.

- Enhancing the Board's focus and decision making by agreeing its clear priorities to focus on each year

The Board agreed clear priorities for focus during 2018 and was pleased to have achieved them.

- Succession planning at senior executive and Board level

The Board reviewed Executive and Non-Executive Director succession planning, and succession processes are continuing to replace the Audit & Risk Committee Chair. Following the Chairman's decision to step down from the Board, the SID is leading the succession process for the Chairman, in collaboration with the Non-Executive Directors. Further details on Chairman succession are set out on page 78.

- Building Board relationships and culture in line with the CEO's culture work across the Group

The Board was especially busy in 2018, but continues to build relationships and evolve its culture as its membership changes.

Nominations Committee report

Philip Hampton

Nominations Committee Chair

Role

The Committee reviews and recommends to the Board:

- the structure, size and composition of the Board and the appointment of Directors, members to the Board Committees and the CET
- succession to the Board and the CET.

Membership

Committee members	Committee member since
Philip Hampton – Chair from 27 January 2015	27 January 2015
Vindi Banga	1 January 2016
Lynn Elsenhans	27 January 2015
Judy Lewent	8 May 2014
Urs Rohner	1 January 2017
Professor Sir Roy Anderson	1 October 2012 until 3 May 2018

⊕ Details of the Committee members' skills and experience are given in their biographies under 'Our Board' on pages 68 to 70. See page 72 for Committee member attendance levels.

The Company Secretary is Secretary to the Committee and attends all meetings. Other attendees at Committee meetings may include:

Attendees	Regular attendee	Attends as required
Chief Executive Officer		✓
Head of Human Resources		✓
Appropriate external advisers		✓

Advisory services

During the year, Egon Zehnder provided recruitment consultancy services to the Committee, in addition to recruitment and HR services which they provide to the company. The Committee supports the engagement of executive search firms, such as Egon Zehnder, who have signed up to the Voluntary Code of Conduct on gender diversity and best practice. Egon Zehnder is also one of the 13 executive search firms to be accredited in 2018 under the Enhanced Code of Conduct, by meeting exacting performance criteria and best practice standards in gender-balanced selection for FTSE 350 boards.

Dear Shareholder

In the last few years, the Committee has been thoughtful in its approach to refreshing the Board and replacing retiring directors. More recently, the Committee has supported Emma Walmsley since her appointment as CEO in 2017 in her refreshment of the senior leadership team to drive the delivery of her IPT priorities for the long-term benefit of shareholders, patients and our other key stakeholders.

Executive management succession

In my Committee report last year, I shared insights on the recruitment of several key senior executive appointments. This included Dr Hal Barron, who joined the Board as Chief Scientific Officer and President, R&D on 1 January 2018 to bring a fresh approach to our R&D business. This process has continued this year and reflects positively both on a strong pipeline of top talent in the organisation and, also, the ability to attract high-quality external hires to bring new perspectives and approaches from outside the business.

Iain Mackay joined the Board from HSBC, to be our next Chief Financial Officer when Simon Dingemans (our current CFO) steps down from the Board as planned in May 2019. Our CFO succession process is described in more detail below.

When Simon informed the Board of his intention to leave the company, the Committee engaged Egon Zehnder, which specialises in the recruitment of high-calibre executives, to carry out a targeted internal and external search for his successor. The Committee compiled a role profile for the next CFO which set out the desired skills.

In the Committee's view, a potential successor to Simon would require a strong technical grasp of reporting, internal controls, and cost and capital discipline. He/she would be familiar with international long cycle businesses, M&A execution and, though not essential, an understanding of manufacturing and R&D. Finally, a successor should be an effective business partner to the CEO, a proven communicator with shareholders and possess a strong set of personal values.

Egon Zehnder initiated a thorough global search against this agreed profile which yielded a pool of candidates, which was then reduced to a shortlist of several potential internal and external candidates. These shortlisted candidates met and were subsequently interviewed by the company's Audit & Risk Committee Chair, the CEO, the Remuneration Committee Chair and me, and our feedback on each candidate was compiled. The Committee also received the CEO's analysis of the candidates and that of the Head of HR. The process culminated with the Committee meeting to agree a recommendation to the Board that Mr Iain Mackay be appointed the next CFO. The recommendation received unanimous Board approval. On 7 August 2018, it was announced that Iain would join the Board as an Executive Director with effect from 14 January 2019.

The Board was pleased to welcome Iain to GSK. He is a proven CFO of a complex, regulated global bank, from his eight years as Group Finance Director at HSBC. He brings tremendous finance experience from different sectors from his time at HSBC, General Electric, Schlumberger Dowell and Price Waterhouse where he trained. He is a strong leader with a track record of driving cost, cash and capital allocation discipline to deliver the strategy.

In addition to the new CFO, the Committee has also reviewed the following internal senior executive appointments to the CET.

Leadership and effectiveness continued

Nominations Committee report continued

James Ford was appointed SVP, General Counsel on 1 August 2018, succeeding Dan Troy who had performed the role at GSK for 10 years. James was previously SVP and General Counsel for Global Pharma. Through his 23-year career with GSK, he has gained wide-ranging legal experience including investigations, complex corporate transactions and litigation in senior roles across the US, Asia and the UK.

Roger Connor was appointed President, Vaccines on 1 September 2018 succeeding Luc Debruyne, who in the last five years of his 27 year career at GSK had been President, Vaccines. Roger has been on the CET since 2012 as President, Global Manufacturing & Supply and led the strategic transformation of GSK's supply chain to support improved quality and supply performance. He has a proven track record of leading a complex, global organisation, developing organisational capability and driving cultural transformation.

Regis Simard was appointed President, Pharmaceutical Supply Chain on 1 September 2018. Regis was previously SVP, Global Pharma Manufacturing and joined GSK in 2005 as a site director in France, having in the past worked in the electronics, medical devices and pharmaceutical industries.

Diana Conrad has been appointed to succeed Claire Thomas as SVP, HR from 1 April 2019 to lead the HR function.

Board composition and diversity

The Board has sought to balance its composition and that of its Committees and to refresh them progressively over time so that they can benefit from the experience of longer serving Directors, and the fresh external perspectives and insights from newer recent appointees.

Non-Executive Directors are drawn from a wide range of industries and backgrounds, including the pharmaceuticals industry and R&D, vaccines, consumer products and healthcare, medical research and academia, and insurance and financial services, and have a wealth of experience of complex organisations with global reach. Many of our Board members have experience of long-cycle industries, which is of assistance in understanding the industry in which we operate.

We are committed to the diversity of our Boardroom just as GSK is committed to equal opportunities for all our employees at all levels of the organisation. The Board and management seek to encourage a diverse and inclusive culture throughout GSK.

A key requirement of an effective board is that it comprises a range and balance of skills, experience, knowledge, gender and independence, with individuals who are prepared to challenge each other and work as a team. This needs to be backed by a diversity of personal attributes, including character, intellect, sound judgement, honesty and courage.

The Committee is responsible for developing measurable objectives to support the implementation of the Board's diversity policy, including gender, and monitoring progress towards the achievement of these objectives. Our diversity policy is in line with the measurable targets set out in the:

- Hampton-Alexander Review to increase the number of women in senior leadership positions in all FTSE 350 companies; and
- Parker Review Commission's report 'Beyond One by '21' to increase ethnic diversity appointments on the boards of FTSE 100 companies.

Progress towards our female Board representation and combined Executive Committee and Direct Reports targets of at least 33% by 2020 was published in the FTSE Women Leaders 2018 report, which is reproduced below:

2018 Report Female Representation Metrics	Female Representation as at 30 June 2018	
	Board	Combined Executive Committee and Direct Reports
2020 FTSE 100 target	33.0%	33.0%
GSK	45.5% (2017 – 41.7%)	32.5% (2017 – 25.7%)
FTSE 100 average	30.2% (2017 – 27.7%)	27.0% (2017 – 25.2%)
FTSE 100 highest	50.0% (2017 – 44.4%)	47.0% (2017 – 47.0%)

As at the date of this Report we have 41.7% women on our Board (2017 – 38%) and 21% women on our Corporate Executive Team (2017 – 21%).

Our female Board representation will return to 45.5% when Simon Dingemans steps down from the Board on 8 May 2019.

Closing this gap between the Board and CET gender representation and further increasing the pipeline of female direct reports to the CET to achieve our 2020 target, is a particular area of attention. We are pleased that good progress has been made, such that at this stage we are now almost in line with our 2020 target on combined executive committee and direct reports. The representation of women in management positions at GSK is illustrated on page 28, as part of the gender diversity of GSK's global workforce.

We are in line with the Parker Report's recommendation.

I have decided to step down from the Board. Our SID, Vindi Banga, is leading the process to identify my successor. More details are given below.

Chairman succession: A search process for the next Chairman is underway supported by a global executive search firm. The next Chairman will oversee delivery of the next phase of the company's strategy, continuing to strengthen the pharmaceutical business whilst demerging the consumer business formed through the integration of the Pfizer business with that of GSK. A specification has been agreed covering the key skills, experience and personal characteristics deemed desirable for the role and we are also engaging with shareholders to gather their views. The selection committee for this process has been expanded to include all Non-Executive Directors.

Vindi Banga
Senior Independent Director

Committee evaluation

The Committee's annual evaluation exercise was internally facilitated by the Company Secretary, who interviewed Committee members on behalf of the Committee Chair. It was concluded that the Committee continued to operate effectively. In terms of enhancements, the Committee would seek to augment its appointment process for the appointment of scientific and financial experts by co-opting subject matter experts to advise the Committee.

Philip Hampton
Nominations Committee Chair

11 March 2019

Accountability

Audit & Risk Committee report

Judy Lewent

Audit & Risk Committee Chair

Role

The Committee reviews and is responsible for:

- financial and internal reporting processes
- the integrity of the financial statements, including the Annual Report and quarterly results announcements
- the system of internal controls
- identification and management of risks and external and internal audit processes
- initiating audit tenders, the selection and appointment of external auditor, setting their remuneration and exercising oversight of their work.

Membership

Committee members	Committee member since
Judy Lewent – Chair from 1 January 2013	1 April 2011
Vindi Banga	1 January 2016
Lynn Elsenhans	1 January 2014
Dr Laurie Glimcher	1 September 2017

⊕ Details of the Committee members' financial, accounting or scientific experience and expertise are given in their biographies under 'Our Board' on pages 69 and 70. See page 72 for Committee member attendance levels.

The Company Secretary is Secretary to the Committee and attends all meetings. The entire Board is invited to attend the Committee meetings and other attendees include:

Attendee	Regular attendee	Attends as required
General Counsel		✓
Group Financial Controller		✓
Head of Audit & Assurance		✓
Head of Global Ethics and Compliance		✓
Chief Medical Officer		✓
Chief Product Quality Officer		✓
External auditor	✓	

In accordance with the Financial Reporting Council's UK Corporate Governance Code, the Board has determined that Judy Lewent has recent and relevant financial experience. The Board has also agreed that she has the appropriate qualifications and background to be an audit committee financial expert as defined by the Sarbanes-Oxley Act of 2002, and has determined that she is independent within the meaning of the Securities Exchange Act of 1934, as amended.

The Committee has, as a whole, competence relevant to the sector in which the company operates.

Dear Shareholder

In the following pages of this report we aim to share insights into the activities undertaken or overseen by the Committee during the year. The Committee has worked largely to a recurring and structured programme of activities. I devise this programme with the Company Secretary and agree its content with management and the external auditor at the start of each year. It is then adapted as appropriate as the year progresses.

Financial reporting

The integrity of the financial statements, including the Annual Report and quarterly results announcements, is a key focus for the Committee. This includes the Committee's assessment of the effectiveness of the internal controls over financial reporting. The Committee reviewed, at least quarterly, the company's significant accounting matters, including contingent consideration liabilities, revenue recognition and accruals for returns and rebates, restructuring, tax and accounting for significant transactions, as well as the impact of changes to accounting standards.

The Committee's position has always been to aim for clear and transparent financial disclosure in GSK's financial reporting and to support a proactive approach that is in step with or ahead of guidance and requirements from regulators. In line with prior years, the Committee continued to review compliance with the latest guidance and endorsed management proposals to further improve disclosures particularly around the use of Alternative Performance Measures in GSK's 2018 preliminary results and the Annual Report.

External auditor

After a competitive tender exercise Deloitte LLP were appointed the company's new auditor at the 2018 AGM, replacing PricewaterhouseCoopers LLP, after a smooth transition exercise with minimal disruption to the business. I have maintained a strong working relationship with the new audit partner throughout the transition and during the 2018 audit process. Management and Deloitte have also worked closely together, so that Deloitte could develop a deep understanding of GSK's business that it could bring to bear during the 2018 Group audit. We have welcomed the new perspectives and the challenge that Deloitte has brought to the audit. We are also pleased to have observed further improvements in audit quality and efficiencies that have resulted from Deloitte's deployment of data analytics.

Accountability continued

Audit & Risk Committee report continued

Internal framework for control and risk management developments

This is another core area of focus for the Committee. In 2018, the following developments in Global Ethics and Compliance (GEC), the business units, and across the enterprise, continued to strengthen our controls and culture of compliance and risk management.

Technology user access controls: As part of the Committee's role in assessing the effectiveness of the internal controls over financial reporting, certain technology systems and the associated infrastructure were identified for further focus and consideration by the Committee especially around user access management. Throughout the year, the Committee closely monitored the Group's plans to address the control findings identified. In addition, a further programme was implemented and completed in 2018 to identify and validate the additional layers of controls the Group has established to mitigate this risk area, as well as some further enhancements to these controls.

Enterprise risk management enhancements: The Committee has also overseen the launch of a new Enterprise risk management (ERM) cycle, which provides an end-to-end approach to planning, mitigation and reporting of key Enterprise risks:

- introducing Enterprise risk plans (ERP) for each business, and the Global support function, which set out its risk appetite and tolerance, the expected controls, mitigation actions and monitoring. The Risk Oversight Compliance Council approves and the Committee reviews executive summaries of these ERPs;
- a controlled process of adaptations for ERPs has been established to achieve an appropriate balance between managing Enterprise risks on a consistent basis, while providing a measure of risk-based flexibility for various parts of the organisation where justified;
- making Enterprise risk reports more data-focused to generate more informed discussion of risk exposure and mitigation; and
- the Committee agreed to separate Information protection into two separate Enterprise risks – Information security and Privacy.

Privacy: During the year, the Privacy Centre of Excellence delivered a change programme to improve and sustainably manage GSK's data privacy compliance, whilst ensuring compliance with the General Data Protection Regulation that became law in May 2018. This included:

- the implementation of a new control framework;
- remediation of certain existing business activities, including adopting privacy controls, such as privacy contract terms, written records of processing activities, and data protection impact assessments; and
- a comprehensive training programme to drive greater expertise, awareness and accountability for managing personal information across the entire organisation.

Further details on our approach to data privacy issues is given on page 31.

Enterprise risk framework and strategies: During the year, the Committee considered GSK's Enterprise risks and the strategies to address them. These reviews were undertaken through:

- annual business unit risk and assurance update reports;
- enterprise risk strategy papers for each of our most significant risks;
- annual risk reviews contained in the Risk Management & Internal Control Report which is presented by the Head of GEC.

As part of its review, the Committee assesses whether the key Enterprise risks affecting the unit are being managed and mitigated in a proportionate way. The Committee examines whether it is satisfied with the control environment, its operation and effectiveness and whether refinements that management propose (to ensure the environment remains fit for purpose) are appropriate. It also assesses the commitment of the business unit's leadership to maintain a strong controls culture.

Each business reported on key Internal Control Framework (ICF) improvements and simplification activities to further improve how we manage risks. These are summarised below.

Pharmaceuticals: An overall Pharmaceuticals Leadership Team Risk Management and Compliance Board (RMCB) was established, providing an improved governance structure better aligned to the organisation and strengthening connections between the regional and country RMCBs. In addition, the Distributor Control Framework was designed and implemented by Export Markets, simplifying management monitoring and enabling our third-party audits to focus on high risk distributors. The General Manager confirmation process continued to be a key focus with targeted discussions at RMCBs, a better understanding of global mitigation actions, and accountability for local control efforts. In addition, a Site Director confirmation was run for the first time in 2018 with the End 2 End supply chain review.

Vaccines: Comprehensive risk reviews were carried out for key assets such as *Shingrix* and *Bexsero*. The GEC Independent Business Monitoring team also conducted its first review of Vaccines focusing on high risk areas primarily within commercial, medical and external R&D, with confirmation that controls are working as intended. Monitoring of sites through the corporate Environment, Health, Safety & Sustainability (EHSS) Assurance Group was also established and an R&D mapping exercise was performed to evaluate the need for IBM in key business activities. No gaps were identified, and the next verification exercise is planned for 2019.

Consumer Health: Key risk themes from monitoring and audit findings were reviewed to identify high risk areas for enhanced risk management and low risk areas for clearer guidance and policy simplification. An improved management monitoring toolkit was developed as well as a new tool assessing country risk, incorporating culture, commercial and qualitative criteria.

Audit & Risk Committee report continued

Emerging risks: For a number of years the Committee has been considering emerging risks at each scheduled meeting. This year, these discussions were enhanced by the results of the Audit & Assurance (A&A) team's Political, Economic, Social, Technological, Legal and Environmental (PESTLE) external analysis of emerging risks. The Committee is also examining the leveraging of new technology and risk scanning services to better support identification of emerging risks.

Written standards: During 2018 a review of GSK's most important, global written standards has been undertaken to further simplify and harmonise written standards and controls to make them easier to access and understand.

Monitoring and compliance activities

Monitoring is a key element of our ICF. It provides a continuous source of insights that inform improvements in the control environment and there was significant focus by each of our businesses in this area in 2018. This included consolidated and streamlined business monitoring and improved coordination between Enterprise risk owners, businesses and monitoring groups. In addition, a new Travel and Expenses system was implemented with control enhancements utilising artificial intelligence and enhanced data analytics.

During 2018, GEC introduced an Early Case Assessment phase to its investigation process. This empowers an investigator to quickly determine the most appropriate action, improve the quality of the investigation and ensure a more productive use of resources.

The Investigations team have sought to further increase trust in our Speak Up channel arrangements by updating processes to promote better quality decision making and improved monitoring of lead indicators. In addition, the Investigations training and education programme has been improved with more investigation work performed in-house. This has resulted in a significant reduction in the cost of external support. In 2018, a further 70 HR, Compliance and Legal based employees have been trained in investigative interviewing techniques.

GSK Values & Expectations

These are a high priority for the Committee. During the year, a range of employee resources were introduced to promote awareness, help facilitate discussions and bring values and expectations to life for employees. These resources included Living our Values and Expectations discussion guides, expectations descriptors and Let's Talk channels. In April 2018, GEC updated GSK's Code of Conduct to make it shorter, simpler and easier to use.

The A&A team has conducted 18 Values Assurance Reviews (VARs) during 2018 to test how well our values and expectations are embedded in the organisation. These have identified follow up action areas including: creating an environment where people are comfortable to speak up; continuing to develop managers' leadership capabilities; addressing perceptions of complexity and continuing to drive simplification efforts; and raising awareness of GSK's expectations and what they mean in the context of an employee's roles.

GEC has continued to focus on people development and building capabilities, including:

Ethics and Compliance Academy: A Virtual Academy run on a quarterly basis.

Anti-bribery and corruption (ABAC): The ABAC training strategy evolved to provide tailored and targeted modules based on employees' roles and responsibilities, with a particular emphasis on further enhancing the skills of those who conduct high risk business activities on behalf of the company.

Privacy certification: The privacy function offered a globally recognized professional privacy certification from the International Association of Privacy Professionals.

Code of Conduct: The annual mandatory training on our Code of Conduct was delivered in two parts and focused on living our values and expectations and ABAC. This was supplemented by the introduction of microlearning modules that can be taken at any time.

Committee evaluation

The Committee's annual evaluation was internally facilitated by the Company Secretary who interviewed Committee members on behalf of the Committee Chair. It was concluded that the Committee continued to operate effectively. In terms of enhancements, it was agreed to continue:

- the good progress made during 2018 in ensuring Committee papers are concise and accessible to facilitate productive discussion; and
- to work with the Nominations Committee on succession planning for the Committee Chair and for Board and Committee members with financial experience.

Judy Lewent
Audit & Risk Committee Chair

11 March 2019

Accountability continued

What the Committee did during 2018

Areas of Committee focus	Items discussed	Frequency
Financial reporting	– Reviewed integrity of draft financial statements, appropriateness of accounting policies and going concern assumptions	A
	– Considered approval process for confirming and recommending to the Board that the 2017 Annual Report is fair, balanced and understandable	A
	– Reviewed and recommended to the Board approval of the 2017 Annual Report and Form 20-F	A
	– Reviewed and approved Directors' expenses	A
	– Reviewed and recommended approval of quarterly and preliminary results announcements, dividends and earnings guidance	Q
	– Reviewed significant issues in relation to the quarterly and preliminary results	Q
	– Reviewed and recommended inclusion of the Viability Statement in the 2017 Annual Report	A
	– Reviewed the financial reporting framework and disclosure arrangements	A
	– Reviewed major restructuring reports	Q
	– Reviewed accounting developments and their impacts as well as key accounting issues	P
External auditor	– Canvassed observations of the outgoing Audit Partner on the company, the Committee and the Finance organisations	S
	– Reviewed and approved audit/non-audit expenditure incurred during 2017	A
	– Considered the auditor's report on the 2017 annual results	A
	– Performed evidence-based assessment of external auditor and the effectiveness of 2017 external audit	A
	– Considered qualifications, expertise and independence of the external auditor	A
	– Recommended to the Board the appointment of Deloitte and for the Committee to agree auditor's remuneration	A
	– Approved the 2018 audit plan and fee proposal and set performance expectations for auditor for the year	A
	– Considered non-audit services fees for 2018 and the 2019 audit budget	A
	– Considered initial results of 2018 external audit	P
	– Considered internal control over financial reporting	A
Global internal control & compliance	– Reviewed assurance reports from Global Pharmaceuticals (including R&D and ViV Healthcare), Vaccines and Consumer Healthcare, as well as the Global Support functions	A
	– Reviewed GSK's internal control framework and controls over financial reporting	A
	– Reviewed Technology access controls and closely monitored plans to address control findings identified and the programme to validate mitigation	P
	– Confirmed compliance with Sarbanes-Oxley Act	A
	– Received independent external evaluation outcomes of Audit & Assurance	P
	– Reviewed Audit & Assurance work during 2017 and approved the planned work for 2018	A
	– Reviewed the US Corporate Integrity Agreement	P
	– Reviewed implementation of the enhancements to the Healthcare professional engagement policy	P
	– Reviewed General Data Protection Regulation readiness and compliance	P
	– Received litigation reports and updates	S
– Received reports on continuing investigations and on Anti-bribery and corruption (ABAC) issues	S	
Risk	– Reviewed risk management framework compliance	A
	– Reviewed the risk elements of group treasury, pensions, risk and insurance and tax policies	A
	– Agreed a new approach to enterprise risk management	P
	– Received status reports on each of the company's 11 Enterprise Risks (these Risks are disclosed on pages 34 and 35)	P
	– Received fraud, site security and cyber security risk assessment update	P
	– Received updates on the implications and planning for Brexit	P
	– Received Risk Oversight and Compliance Council (ROCC) meeting updates	S
	– Considered emerging risks	S
Governance and other matters	– Confirmed compliance with the UK Corporate Governance Code	A
	– Reviewed the Committee's terms of reference and confirmed that they had been adhered to during 2018	A
	– Received corporate governance updates	P
	– Reviewed the Committee's performance and effectiveness	A
	– Reviewed and approved the Group's Modern Slavery Act Statement	P
	– Reviewed the company's gender pay gap disclosures	A
	– Met privately and separately with the Heads of Global Ethics & Compliance, Audit & Assurance, and the General Counsel	P
	– Met privately with the external auditor at the end of each meeting as appropriate	S

Significant issues relating to the financial statements

In considering the quarterly financial results announcements and the financial results contained in the 2018 Annual Report, the Committee reviewed the significant issues and judgements made by management in determining those results. The Committee reviewed papers prepared by management setting out the key areas of risk, the actions undertaken to quantify the effects of the relevant issues and the judgements made by management on the appropriate accounting required to address those issues in the financial statements.

The significant issues considered in relation to the financial statements for the year ended 31 December 2018 are set out in the following table, together with a summary of the financial outcomes where appropriate. In addition, the Committee and the external auditor have discussed the significant issues addressed by the Committee during the year and the areas of particular audit focus, as described in the Independent Auditor's Report on pages 128 to 139.

Significant issues considered by the Committee in relation to the financial statements	How the issue was addressed by the Committee
Going concern basis for the preparation of the financial statements	The Committee considered the outcome of management's half-yearly reviews of current and forecast net debt positions and the various financing facilities and options available to the Group. Following a review of the risk and potential impact of unforeseen events, the Committee confirmed that the application of the going concern basis for the preparation of the financial statements continued to be appropriate.
Revenue recognition, including returns and rebates (RAR) accruals	The Committee reviewed management's approach to the timing of recognition of revenue and accruals for customer returns and rebates. The US Pharmaceuticals and Vaccines accrual for returns and rebates was £4.4 billion at 31 December 2018 and the Committee reviewed the basis on which the accrual had been made and concurred with management's judgements on the amounts involved. A fuller description of the process operated in the US Pharmaceuticals and Vaccines business in determining the level of accrual necessary is set out in 'Critical accounting policies' on page 63.
Provisions for legal matters, including investigations into the Group's commercial practices	The Committee received detailed reports on actual and potential litigation from both internal and external legal counsel, together with a number of detailed updates on investigations into the Group's commercial practices. Management outlined the levels of provision and corresponding disclosure considered necessary in respect of potential adverse litigation outcomes and also those areas where it was not yet possible to determine if a provision was necessary, or its amount. At 31 December 2018, the provision for legal matters was £0.2 billion, as set out in Note 29 to the financial statements, 'Other provisions'.
Provisions for uncertain tax positions	The Committee considered current tax disputes and areas of potential risk and concurred with management's judgement on the levels of tax contingencies required. At 31 December 2018, a tax payable liability of £1.2 billion, including provisions for uncertain tax positions, was recognised on the Group's balance sheet.
Impairments of intangible assets	The Committee reviewed management's process for reviewing and testing goodwill and other intangible assets for potential impairment. The Committee accepted management's judgements on the intangible assets that required writing down and the resulting impairment charge of £134 million in 2018. See Note 19 to the financial statements, 'Other intangible assets' for more details.
Valuation of contingent consideration in relation to ViiV Healthcare	The Committee considered management's judgement that following the further improved sales performance of <i>Tivicay</i> and <i>Triumeq</i> it was necessary to increase the liability to pay contingent consideration for the acquisition of the former Shionogi-ViiV Healthcare joint venture. At 31 December 2018, the Group's balance sheet included a contingent consideration liability of £5.9 billion in relation to ViiV Healthcare. See Note 39 to the financial statements, 'Contingent consideration liabilities' for more details.
ViiV Healthcare put option	The Committee reviewed and agreed the accounting for the Pfizer put option and concurred with management's judgement on the valuation of the put option of £1.2 billion at 31 December 2018.

Accountability continued

Auditor's appointment

External auditor

Following an audit tender process conducted by the Committee which concluded in December 2016, Deloitte's appointment as the auditor of the company and the Group was approved by shareholders at the GSK AGM in May 2018. There were no contractual or similar obligations restricting the Group's choice of external auditor.

Deloitte observed PricewaterhouseCoopers, (PwC) work as GSK's previous statutory auditor during the 2017 year end auditing process. A full report on the transition process between PwC and Deloitte is included on pages 103 and 104 in GSK's 2017 Annual Report.

The Committee considers that during 2018, the company has complied with the mandatory audit processes and audit committee responsibility provisions of the Competition and Markets Authority Statutory Audit Services Order 2014.

Effectiveness and quality of external audit process

The Committee is committed to ensuring on an ongoing basis that GSK receives a high quality and effective audit from its external auditor. In evaluating Deloitte's performance during 2018, prior to making a recommendation on their re-appointment in early 2019, the Committee reviewed the effectiveness of their performance against the criteria which it agreed, in conjunction with management, at the beginning of 2018. The criteria are set out on page 85.

In undertaking this review, the Committee considered the overall quality of the audit, the independence of Deloitte and whether they have exhibited an appropriate level of challenge and scepticism in their work. Because Deloitte had recently been appointed GSK's auditor, their length of tenure was not taken into account when assessing their independence and objectivity.

Finally, the Committee considered feedback on the 2018 external audit through a survey that sought views from the financial management team at corporate and business unit level. It covered:

- effectiveness of challenge by the auditor, their integrity and the transparency of their reporting to management and the Committee;
- clarity of communication by the auditor and their ways of working;
- alignment of the 2018 audit to the Group's investment in SAP;
- quality of the audit team's leadership; and
- skills and experience of the audit team.

Having reviewed all this feedback, and noted any areas of improvement to be implemented in respect of the team on the 2019 audit, the Committee:

- was satisfied with the effectiveness of the auditor and the external audit process; and
- was satisfied with the auditor's independence, qualifications, objectivity, expertise and resources.

The Committee therefore recommended to the Board the re-appointment of Deloitte at the forthcoming AGM.

Auditor's appointment continued

The detailed criteria the Committee used for judging the effectiveness of Deloitte as the external auditor and their overriding responsibility to deliver a smooth-running, thorough and efficiently executed audit for 2018 are set out below:

Performance expectations for GSK's external auditor 2018

Audit approach and strategy	<ul style="list-style-type: none"> – Leverage a centrally controlled audit approach, ensuring that GSK's group, joint ventures and local statutory entities were audited once and once only – Refine a consistent technology-led audit with enhanced risk assessment and analytical procedures, providing insights that combine data trend analysis, process cycle pathways, and the identification of audit risks, ensuring a well-informed and efficient audit – Deliver a focused and consistent audit approach globally that reflects local risks and materiality
High quality independent audit	<ul style="list-style-type: none"> – Adhere to all independence policies (GSK's, FRC's 2016 Revised Ethical Standard and applicable SEC standards) – Maintain a relentless focus on audit quality and Deloitte's internal quality control procedures – Provide timely clarity on assessments of accounting treatments and ensure consistency of advice at all levels – Maintain a forward-thinking approach by raising potential issues or concerns as soon as identified – Provide timely up-to-date knowledge of technical and governance issues, including evolving market practice on the viability statement requirements, ESMA/SEC guidelines and new IFRSs (i.e. IFRS 16) – Serve as an industry resource, communicating best practice trends in reporting and integrated reporting – Provide high quality and succession planning of key staff members of Deloitte and ensure their technical skillsets are continuously enhanced
Effective partnership	<ul style="list-style-type: none"> – Deliver a smooth running, thorough and efficiently executed audit by: <ul style="list-style-type: none"> – Discussing approach and areas of focus in advance and early engagement on understanding the implications of the new operating model – Ensuring SOX scope and additional procedures are discussed and endorsed by corporate management and communicated on a timely basis within GSK and Deloitte – Avoiding surprises through timely reporting of issues at all levels within the Group – Early engagement on and provision of impact assessments of key judgements – Ensuring clarity of roles and responsibilities between local Deloitte and Finance Services – Responding to any issues raised by corporate management on a timely basis – Meeting agreed deadlines – Providing sufficient time for management to consider draft auditor reports and respond to requests and queries – Consistent and timely communication and engagement between local and central audit teams, and across all GSK stakeholder groups – Liaise with Audit & Assurance to avoid duplication of work and Global Ethics and Compliance to ensure a common understanding of audit outcomes, adopting a collaborative approach to solving issues – Ultimately provide a high-quality service to the Board, be scrupulous in their scrutiny of the Group and act with utmost integrity
Auditor transition	<ul style="list-style-type: none"> – Ensure a seamless, effective, and efficient auditor transition from PwC to Deloitte by maximising the use of relevant information provided by PwC in respect of the 2016 and 2017 audits of the company and its subsidiaries in relation to the audit of the Group's consolidated accounts
Value for money	<ul style="list-style-type: none"> – Work closely with management to agree on scope changes, overruns and efficiencies and set clear milestones for continuous monitoring – Provide transparency of audit time and cost incurred analysis against budget, identifying areas that will enable reduction in audit hours without compromising audit quality and commensurately reducing audit fees

Accountability continued

Non-audit services

Where possible, other accounting firms are engaged to undertake non-audit services.

Where the external auditor is permitted to provide non-audit services (such as audit-related, tax and other services), in accordance with GSK's policy contained in GSK's Finance Manual, the Committee ensures that auditor objectivity and independence are safeguarded by requiring pre-approval by the Committee.

The following core policy guidelines on engaging the external auditor to provide non-audit services are observed:

- **Process:** ensuring all non-audit services over £50,000 are put out to competitive tender with financial service providers other than the external auditor, in line with the Group's procurement process, unless the skills and experience of the external auditor make them the only suitable supplier of the non-audit service under consideration;
- **Safeguards:** ensuring adequate safeguards are in place so that the objectivity and independence of the Group audit are not threatened or compromised; and
- **Fee cap:** ensuring that the total fee levels do not exceed 50% of the annual audit fee, except in special circumstances where there would be a clear advantage in the company's auditor undertaking such additional work.

The company's current policy complies with the Financial Reporting Council's (FRC) 2016 Revised Ethical Standard and the EU Audit Regulation and the Sarbanes-Oxley Act of 2002. The policy contains the following three guidelines:

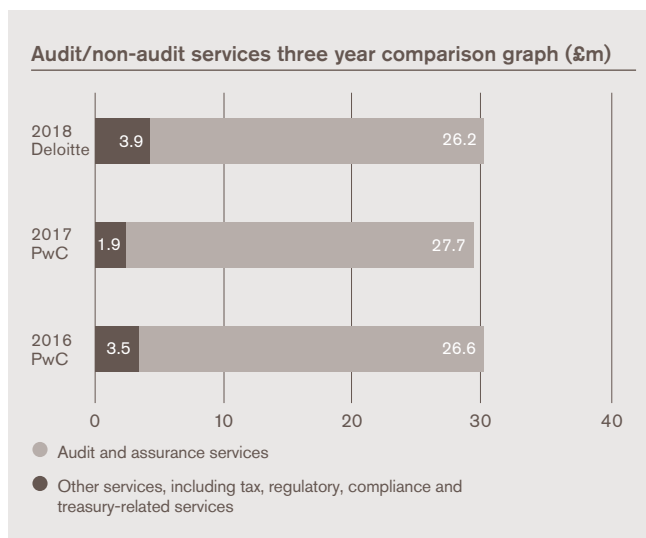
Fee cap: GSK's policy cap of 50% of the annual audit fee cap is more stringent than the FRC's fees cap set at 70% of the average fees for the preceding three-year period.

Prohibitions: GSK's policy includes a 'black list' of prohibited non-audit services.

Pre-approval: The category-wide pre-approval process reflects the restrictions in the FRC's 2016 Guidance on Audit Committees, so that all non-audit services:

- over £50,000 are pre-approved by the Committee Chairman and CFO as delegated by the Committee;
- between £25,000 and £50,000 are pre-approved by the Group Financial Controller; and
- under £25,000 are approved by a designate of the Group Financial Controller.

Fees paid to the company's auditor and its associates are set out below. Further details are given in Note 8 to the financial statements, 'Operating profit'.



Fair, balanced and understandable assessment

One of the key compliance requirements of a group's financial statements is for the Annual Report to be fair, balanced and understandable. The coordination and review of Group-wide contributions into the Annual Report follows a well-established and documented process, which is performed in parallel with the formal process undertaken by the external auditor.

The Committee received a summary of the approach taken by management in the preparation of GSK's 2018 Annual Report to ensure that it met the requirements of the FRC's 2016 UK Corporate Governance Code. This enabled the Committee, and then the Board, to confirm that GSK's 2018 Annual Report taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy.

Code of Conduct and reporting lines

We also have a number of well-established policies, (including a Code of Conduct), which are available on the Governance section of our website, together with details of our confidential Speak Up reporting lines for the reporting and investigation of unlawful conduct. An updated version of the Code of Conduct was last published in April 2018.

Internal control framework

The Board recognises its obligation to present a fair, balanced and diligent assessment of GSK's current position and prospects. The Board is accountable for evaluating and approving the effectiveness of the internal controls, including financial, operational and compliance controls, and risk management processes operated by GSK.

The Internal Control Framework (the Framework) is a comprehensive enterprise-wide risk management model and the means by which GSK ensures the reliability of financial reporting and compliance with laws and regulations. The Framework supports the continuous process of the Board's identification, evaluation and management of the Group's Principal Risks, as required by the Financial Reporting Council's (FRC's) UK Corporate Governance Code (the Code), and is designed to manage the risk of not achieving business objectives.

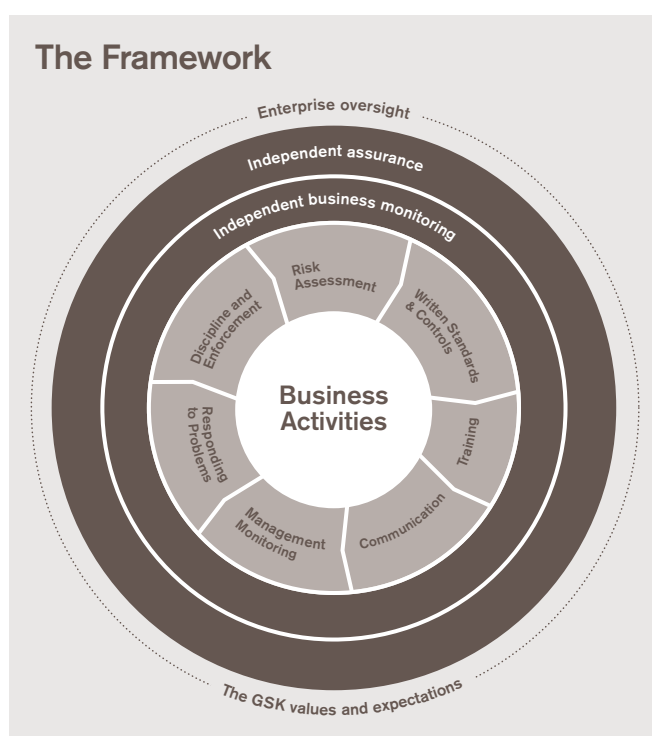
A fit for purpose Framework, in conjunction with our corporate values, expectations and Speak Up processes, ensures that the risks associated with our business activities are actively and effectively controlled in line with the agreed risk appetite. We believe the Framework provides reasonable, but not absolute, assurance against material misstatement or loss.

The Group's Risk Oversight and Compliance Council (ROCC), a team of senior leaders, is mandated by the Board to assist the Committee in overseeing risk management and internal control activities. It also provides the business with a framework for risk management and upward escalation of significant risks. Each business unit has a risk board structure which reports to the ROCC. The business unit Risk Management and Compliance Boards (RMCBs) are responsible for promoting the local 'tone from the top' and risk culture, as well as ensuring effective oversight of internal controls and risk management processes.

Each Principal Risk has an assigned risk owner who is a member of senior management. The risk owner is accountable for the management of his/her respective Principal Risk, including the setting of risk mitigation plans, their implementation and for reporting on the risk management approach and progress to the ROCC and the Committee every year. The ROCC and the RMCBs are assisted by Global Ethics and Compliance (GEC), which is responsible for advancing risk management across the enterprise and for the development of working practices that are risk-based and ethically sound. GEC actively promotes ethical behaviours through enabling all members of the organisation to operate in accordance with our values, and to comply with applicable laws and regulations.

Audit & Assurance (A&A), in line with an agreed assurance plan, provides independent assurance to senior management and the Board on the effectiveness of risk management across the Group. This assurance helps senior management and the Board to meet their oversight and advisory responsibilities in fulfilling the Group's strategic objectives and building trust with patients and other stakeholders. A&A has a dual reporting line into the Chief Financial Officer and the Committee.

The Committee receives regular reports from business units, Principal Risk owners, GEC and A&A on areas of significant risk to the Group and on related internal controls. These reports provide an assessment on the internal control environment within each Principal Risk area, including enhancements to strengthen the control environment. Following the consideration of these reports, the Committee concludes on the effectiveness of the internal control environment and reports to the Board annually. In accordance with the FRC's Code provisions, the Board, through the authority delegated to the Committee, has conducted a robust assessment of the Group's Principal Risks. This includes the consideration of the nature and extent of risk it is willing to take in achieving the Group's strategic objectives. The Board, through the Committee, has maintained oversight to ensure the effectiveness of the internal control environment and risk management processes in operation across the Group for the whole year, and up to the date of the approval of this Annual Report.

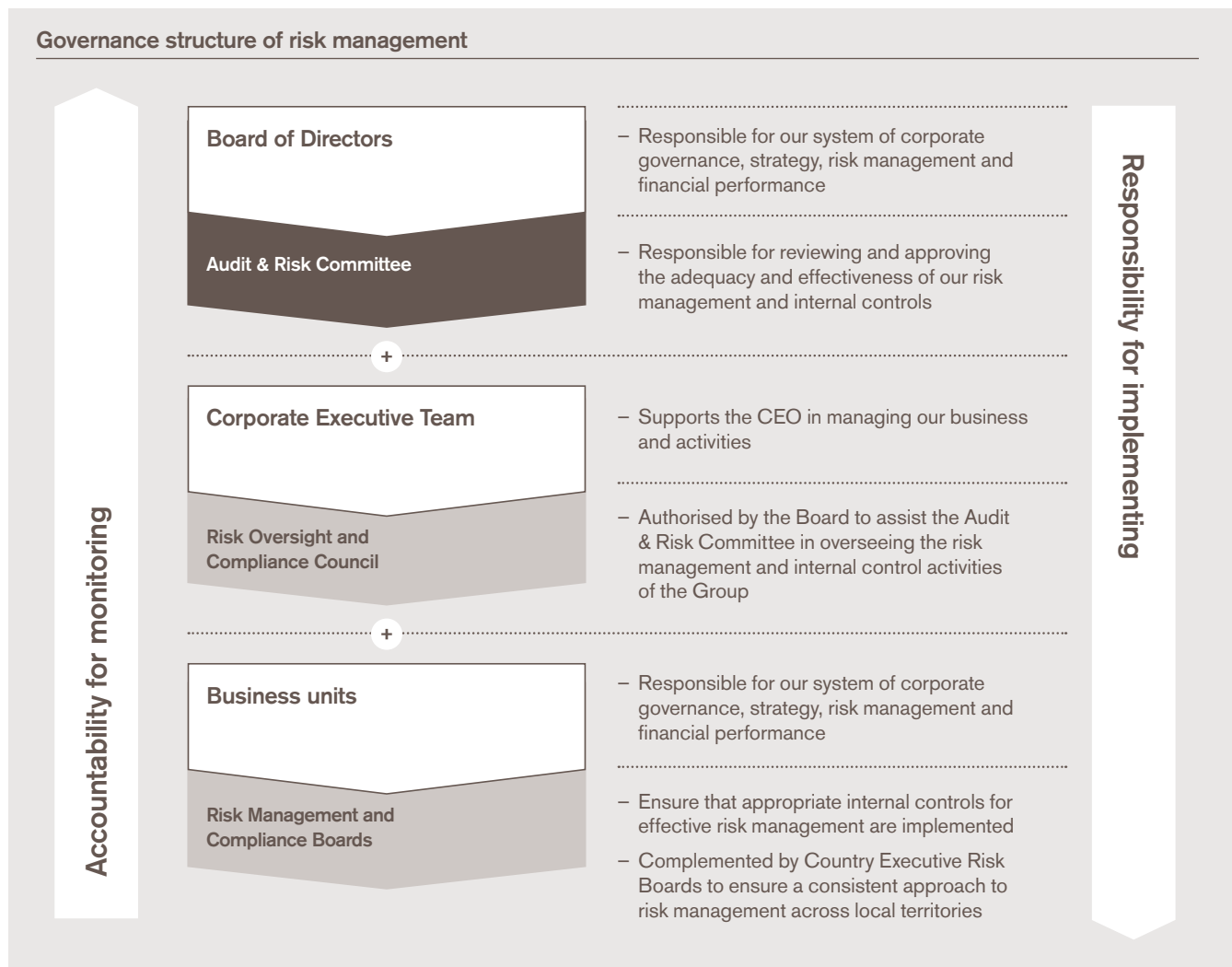


Accountability continued

Internal control framework continued

The Board's review focuses on the company and its subsidiaries and does not extend to material associated undertakings, joint ventures or other investments, although it considers the risk of the company's participation in these activities. There are established procedures and controls in place to identify entities whose results must be consolidated with the Group's results. We believe the process followed by the Board, through the Committee, in reviewing regularly the system of internal controls and risk management processes is in accordance with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued by the FRC.

A review of the Group's risk management approach is further discussed in the 'Risk management' section of the Strategic report on pages 34 to 36. Our management of each Principal Risk is explained in 'Principal risks and uncertainties' on pages 241 to 250. The Group's viability is discussed in the Group financial review section of the Strategic report on page 37.



Relations with stakeholders

Engagement activities

In the performance of its legal duty to promote the success of the company, the Board has regard to a number of factors, including listening to and considering the views of shareholders and other key stakeholders and is cognisant of the potential impacts of decisions it makes on our stakeholders, the environment and the communities in which we operate.

Our principal Board Committees have delegated powers that enable a more in-depth assessment of the impacts of the company's wider engagement with stakeholders. It also provides a means of identifying emerging stakeholder-related issues that can be brought to the attention of the Board, which in turn enables us to further invest in activities to build trust in our reputation for operating responsibly to deliver on our purpose.

Engagement with the company's main stakeholder groups, including our patients, shareholders, consumers, customers and employees, at all levels of the organisation and across the enterprise is summarised on page 11. The Board's interactions with two of the company's main stakeholder groups – shareholders and people – are set out in more detail below.

All shareholders

We try to engage with shareholders in several ways. This includes regular communications, the AGM and other investor relations activities. We announce our results on a quarterly basis and our annual results are included in our Annual Report. All shareholders receive an Annual Summary which advises them that our Annual Report and Notice of our Annual General Meeting are available.

Our major shareholders

During the year, after publication of our quarterly results, the CEO, Emma Walmsley, and CFO, Simon Dingemans, gave presentations to institutional investors, analysts and the media by webcast teleconference. In July, Emma and Dr Hal Barron held an R&D update event at which they announced a new approach to R&D that is designed to capitalise on the assets in the company's promising early-stage pipeline and build the next wave of growth for GSK for the benefit of patients and shareholders. This update to our major shareholders concluded with a Q&A session.

Emma and Simon maintain a continual and active dialogue with institutional shareholders on performance, plans and objectives through a programme of regular meetings. During the year, they held a total of 83 individual meetings with major shareholders and they have hosted a total of 27 group meetings with major shareholders and potential major shareholders.

Philip Hampton also meets with major shareholders to hear their views and discuss issues of mutual importance. He then communicates their views to the rest of the Board. During the year, he held six individual meetings with major shareholders on a range of issues. Our Senior Independent Non-Executive Director (SID) and our other Non-Executive Directors are available to meet with major shareholders.

We normally hold a governance event at the end of each year with institutional shareholders, key investment industry bodies and influential proxy advisory firms, at which the Chairman, SID and each of our Committee Chairs discuss particular areas of focus associated with our corporate governance, corporate responsibility and remuneration arrangements. The governance event for 2018 was cancelled as the company was in possession of inside information ahead of its announcement of the proposed joint venture with Pfizer's consumer healthcare business.

On a continuing basis, our Investor Relations department, with offices in London and Philadelphia, acts as a focal point for communication with institutional investors. Our Company Secretary acts a focal point for communications on corporate governance matters. We also have a small central Corporate Responsibility (CR) team which coordinates strategy, policy development and reporting specifically with respect to CR. The team communicates with socially responsible investors and other stakeholders.

Our retail shareholders

The Company Secretary acts as a focal point for retail investors and manages key relationships with the company's registrars, Equiniti in the UK and The Bank of New York Mellon, who administer our ADR programme in the US.

Relations with stakeholders continued

Engagement activities continued

Annual General Meeting

All shareholders are invited to attend our Annual General Meeting. This year's AGM will be held in May at the Sofitel London Heathrow Hotel.

Our 2018 AGM had a good level of attendance and engagement by shareholders. All our proposed resolutions were approved by shareholders. The level of support ranged from 90% to 99%. The AGM provides an opportunity to put questions to our Board and the Chairs of each of our Board Committees during the formal AGM proceedings, while providing shareholders the chance to meet informally with our Board Directors who will make themselves available before the meeting.

Our people

The Board is fully supportive of the Group's commitment to being a progressive, modern employer to attract, retain and motivate the very best talent and drive high levels of employee engagement. A key transformation priority for the CEO is to evolve the culture of the company to enhance business performance. Our strategic success relies on our ability to engage our employees behind the delivery of the company's long-term IPT priorities underpinned by a continuing shift in culture. Therefore, employee engagement is a key barometer for measuring how people feel working for GSK and the tools we use to measure our people's views are discussed on page 28.

⊕ Stakeholder engagement, see page 11

⊕ Trust, see page 24

⊕ Modern employer, see page 28

⊕ Shareholder information, see page 251

Workforce Engagement Director

To underscore the Board's commitment to strengthen its engagement with our people and to gather their views, it has designated one of our independent Non-Executive Directors, Dr Vivienne Cox, as the company's Workforce Engagement Director in December 2018.

The Board firmly believes that this formal model of engagement:

- is most likely to best connect our pre-existing employee engagement activity and employee voice channels with boardroom decision-making to promote meaningful engagement;
- provides a regular platform for the independent element of the Board to have direct conversations with the workforce, individually and in group settings, to gain insights into their experiences, concerns and perspectives, and to better understand whether the cultural change already underway is embedding in the organisation to support our long-term IPT priorities; and
- is therefore the model most likely to add immediate value.

A programme of activities is being compiled to ensure that Vivienne is accessible to the workforce and to gather their feedback for consideration by the Board.

She is looking forward to sharing her insights and experiences gained as our Workforce Engagement Director in next year's Annual Report.

Science Committee report

Dr Jesse Goodman

Science Committee Chair

Role

The Committee:

- undertakes periodic reviews of R&D strategy and progress
- assesses the overall performance, including relevant financial metrics, effectiveness and competitiveness of R&D
- helps identify critical emerging trends in science and medicine and their potential impact on the company
- undertakes periodic reviews of the company's scientific capability and talent
- reviews the scientific opportunity in specific large scale investments or business transactions
- reviews the output of the Group's science advisory boards.

Membership

Committee members	Committee member since
Dr Jesse Goodman – Chair from 1 January 2017	1 January 2017
Dr Laurie Glimcher	1 September 2017
Judy Lewent	1 January 2017
Professor Sir Roy Anderson	1 January 2017 until 3 May 2018

⊕ Details of the Committee members' skills and experience are given in their biographies under 'Our Board' on pages 69 and 70. See page 72 for Committee member attendance levels.

The Company Secretary is Secretary to the Committee and attends all meetings. Other attendees at Committee meetings may include:

Attendee	Regular attendee	Attends as required
Company Chairman	✓	
Chief Executive Officer	✓	
Chief Scientific Officer and President, R&D	✓	
President, Global Vaccines		✓
Independent senior external scientific adviser(s)		✓
Chief Financial Officer		✓
Other company executives		✓

Dear Shareholder

I am pleased to present my second report of the Science Committee's activities (the Committee).

During 2018, the Committee has sought to further evolve its ways of working and oversight of R&D to support the Board and Dr Hal Barron in considering our science, pipeline and R&D strategy and priorities.

The Committee has developed an annual programme of activities to support its core role of R&D oversight to help discharge its responsibilities. Items for consideration by the Committee include receiving:

- regular updates on the Pharmaceuticals and Vaccines priority assets;
- regular R&D strategy updates;

- oversight of R&D projects portfolio governance; and
- R&D's culture, talent, capabilities and incentive arrangements.

In particular in 2018, the Committee reviewed the key features of Dr Barron's new approach to R&D, which focuses on science related to the immune system, the use of human genetics and advanced technologies to help identify the next generation of transformational medicines for patients.

The Committee has reviewed several assets currently in clinical development and notes the significant progress made to strengthen the pharmaceuticals pipeline, particularly in the area of oncology. The company currently has 46 assets in development, with 33 immunomodulators, of which 16 are focused on oncology. In addition, the Committee has considered from a scientific perspective and was pleased to recommend to the Board the following key business development transactions:

Tesaro: strengthening the Pharmaceuticals pipeline with the acquisition of this oncology-focused biopharmaceutical company. It has a major marketed project, *Zejula*, which is an oral poly ADP ribose polymerase (PARP) inhibitor approved in the US and Europe for adults with recurring ovarian cancer. We believe PARP inhibitors also offer significant opportunities for treating patients with many other cancer types. Several other promising oncology assets were also acquired as part of this transaction, including a PD-1 inhibitor (dostarlimab) currently being studied for endometrial cancer.

23andMe: forming this exclusive collaboration with the world's leading consumer genetics and research company. This will combine our scientific and medical knowledge with large-scale genetic resources and unique data science skills, improving the probability of R&D success.

Merck: agreeing a proposed global strategic alliance with Merck KGaA, Darmstadt, Germany to jointly develop and commercialise M7824. This is an investigational bifunctional fusion protein immunotherapy that is currently in clinical development, including potential registration studies, for multiple difficult-to-treat cancers. This includes a phase II trial to investigate M7824 compared with pembrolizumab as a first line treatment in patients with PD-L1 expressing advanced non-small cell lung cancer.

Committee evaluation

The second annual evaluation of the Committee was internally facilitated by the Company Secretary, who interviewed Committee members on behalf of the Committee Chair. In terms of enhancements, as the Committee settles into its role, consideration would be given to how it refines its work and focus to exercise effective oversight of the embedding of the new R&D strategy.

Next steps

The Committee will continue to review how the new approach to R&D is progressing and the culture change underway in R&D, and expects to see major data readouts and news flow on several new medicines in 2019. Finally, I would like to thank Professor Sir Roy Anderson who stood down from the Committee, when he retired from the Board in May, for his significant contribution to helping me shape the role and focus of the Committee.

Dr Jesse Goodman

Science Committee Chair

11 March 2019

Corporate Responsibility Committee report

Lynn Elsenhans

Corporate Responsibility Committee Chair

Role

The Committee reviews:

- external issues that have the potential for serious impact upon GSK's business and reputation
- oversight of the views and interests of internal and external stakeholders
- consideration of GSK's Trust priority and annual governance oversight of progress against GSK's commitments which reflect the most important issues for responsible and sustainable growth

Membership

The membership of the Committee and appointment dates are set out below:

Committee members	Committee member since
Lynn Elsenhans – Chair from 8 May 2015	1 October 2012
Dr Vivienne Cox	1 July 2016
Dr Jesse Goodman	1 May 2016
Professor Sir Roy Anderson	1 May 2016 until 3 May 2018

⊕ Details of the Committee members' skills and experience are given in their biographies under 'Our Board' on pages 69 and 70. See page 72 for Committee member attendance levels.

The Company Secretary is Secretary to the Committee and attends all meetings. Other attendees at Committee meetings may include:

Attendee	Regular attendee	Attends as required
Chief Executive Officer	✓	
Company Chairman	✓	
Chief Scientific Officer and President, R&D	✓	
General Counsel	✓	
President, Global Affairs	✓	
President, Pharma Supply Chain	✓	
President, Global Pharmaceuticals	✓	
President, Global Vaccines		✓
CEO, GSK Consumer Healthcare		✓
Head of Human Resources		✓
SVP, Corporate Affairs		✓
VP, Trust and Global Health	✓	
Other Executives		✓
Independent external corporate responsibility adviser	✓	

Dear Shareholder

As Chair of the Corporate Responsibility Committee (the Committee) I am pleased to present the Committee's 2018 report.

The Committee forms an important part of the Board's oversight of the Company's responsible business agenda, ensuring management is working to deliver long-term value for both shareholders and society. The Committee has a rolling agenda and receives reports from members of the CET and senior managers to ensure that progress in meeting our responsible business commitments is reviewed on a regular basis.

Committee membership

Committee members bring a wide range of sector experience, insight and stakeholder perspectives to help provide oversight on these topics. This helps monitor the company's work to engage effectively with its key stakeholders and to assess if the company is operating in a way that seeks to meet the high external expectations of GSK as a global healthcare company.

During the year, Professor Sir Roy Anderson stood down from the Committee when he retired from the Board in May 2018.

I greatly appreciated the insights that he brought to the work of the Committee during his tenure, including the development of the new commitments to support the delivery of GSK's Trust priority.

I was pleased to invite Regis Simard, President Pharma Supply Chain, to attend the Committee on a regular basis. Regis has responsibility for product quality and environment, health, safety & sustainability (EHSS); vital areas of the company's operations over which the Committee exercises oversight.

Areas of focus in 2018

The Committee has again focused on topics that are material to the company's purpose, strategy, values and expectations. The Committee plays an integral role in the oversight of GSK's responsible business commitments. This year, the work of the Committee included continued oversight of the development of a new set of focused commitments to support the Company's Trust priority. These new commitments build on a strong performance in responsible business over many years and are set in the context of external trends and stakeholder expectations. The framework surrounding these commitments had been subject to review by key stakeholders after which their feedback was incorporated to further strengthen its design and operation. The Board was pleased to support the Committee's recommendations.

The new framework identifies 13 commitments across three focus areas where the company can maximise its social impact: using science and technology to address health needs; making products affordable and available; and being a modern employer. These focus areas are supported by commitments across the fundamentals of being a responsible healthcare company: reliable supply; ethics and values; data and engagement; and the environment.

Corporate Responsibility Committee report continued

During the year, management presented to the Committee on a number of topics across the breadth of the Trust priority:

Using science and technology to address health needs:

The Committee reviewed proposals from management for a new global health strategy, designed to align to the company's IPT strategy. The new approach is more focused to achieve maximum social impact to support the strategic theme of fighting infectious diseases impacting children and young people in developing countries. The Committee discussed the importance of end-to-end planning of global health assets – through partnering with others from R&D to manufacturing – to ensure their sustainability over the long-term.

Making products affordable and available: During the year we also considered access and affordability, and the company's commitment to making our products available at prices that are responsible and sustainable for the business. We reviewed the global pricing strategies of our Pharmaceuticals business with a particular focus on the US environment, which is the company's current largest single market, and where the operating context continues to evolve.

Being a modern employer: The Committee also had oversight of the company's new commitments for being a modern employer which centre on three main elements: engaged people; inclusion and diversity; and health, wellbeing and development. The Committee discussed the results from the global employee survey and management's plans for responding to lower scoring areas.

Responsible business: During the year the Committee reviewed the progress made on GSK's commitments to the fundamentals of being a responsible business. This included oversight of progress made to reduce the company's environmental impacts across carbon, water and waste, and the setting of new targets to 2030. Updates on business conduct and engagement with healthcare professionals were also discussed by the Committee.

The Committee also reviewed and approved the company's reporting on progress made on the company's responsible business commitments.

Stakeholder engagement and insights

The Committee pays close attention to the evolving views and expectations of the company's broad range of key stakeholders. A regular report on stakeholder insights is reviewed and discussed at each meeting to ensure the Committee considers the issues that may have a bearing on the company's reputation and the delivery of its responsible business agenda. The Committee also received an update on GSK's reputation research to understand relevant insights for its strategy. Employee insights were discussed in relation to the company's modern employer agenda and the results of the Global employee survey.

This year we have continued to enjoy positive engagement with investors on our responsible business approach and performance. I meet directly with shareholders from time to time to understand any issues and concerns they may have and other Committee members also meet informally with shareholders before the AGM. The Committee was very pleased to see the company maintain first position in the Access to Medicines Index, and second position in the Dow Jones Sustainability Index for our industry, two investor supported external benchmarks.

Independent external corporate responsibility advisor

Ms Sophia Tickell serves as an independent external advisor to the Committee. Ms Tickell has extensive experience in the pharmaceuticals industry in improving health systems' productivity, sustainability in energy supply and distribution, climate change policy and short-termism in financial markets.

She is co-founder and Director of Meteos, from where she directs the Pharma Futures Series, which aims to better align societal and shareholder value. She holds several other board and advisory roles.

Ms Tickell attended meetings of the Committee and provided independent advice and guidance on corporate responsibility matters to both the Committee Chair, the CEO and the President, Global Affairs.

Committee evaluation

The Committee's annual evaluation exercise was internally facilitated by the Company Secretary, who interviewed Committee members on behalf of the Committee Chair. It was concluded that the Committee continued to operate effectively. In terms of enhancements, the Committee would continue to review opportunities to develop its remit to further support the company's CR agenda and goals. As part of this process, it would consider best practice at similar committees and examine its current responsibilities in relation to the remit of GSK's other Board Committees.

Committee aims for 2019

Over the next year we will continue to understand GSK's material responsible business topics and seek to understand how management is responding to the expectations of external stakeholders. The Committee is well positioned in 2019 to support the delivery of the new commitments to support Trust, one of GSK's long-term business priorities.

Lynn Elsenhans

Corporate Responsibility Committee Chair

11 March 2019

Area of responsibility	Items addressed during 2018
External issues that have the potential for serious impact upon GSK's business and reputation	<ul style="list-style-type: none"> – Health and safety update – Regular reputational and emerging issues update – Oversight of corporate reputation research and KPI
Oversight of stakeholder views and engagement	<ul style="list-style-type: none"> – Stakeholder insights update – Employee survey
Annual governance oversight of progress against GSK's responsible business commitments to support Trust	<ul style="list-style-type: none"> – Responsible Business Supplement approval – Oversight of new commitments – Global health strategy – Sustainable access and affordability – Business conduct – Modern employer – Environmental targets

Directors

Our Directors' powers are determined by UK legislation and our Articles of Association, which contain rules about the appointment and replacement of Directors. They provide that Directors may be appointed by an ordinary resolution of the members or by a resolution of the Board, provided that, if appointed by the Board, the Director retires at the AGM following the appointment.

Our Articles also provide that all Directors are required to seek re-election annually at the AGM in accordance with the UK Corporate Governance Code.

A Director will cease to be a Director if he or she:

- becomes bankrupt
- ceases to be a Director by virtue of the Companies Act or the Articles
- suffers mental or physical ill health and the Board resolves that he or she shall cease to be a Director
- has missed Directors' meetings for a continuous period of six months without permission and the Board resolves that he or she shall cease to be a Director
- is prohibited from being a Director by law
- resigns, or offers to resign and the Board accepts that offer
- is required to resign by the Board.

Directors' conflicts of interest

All Directors have a duty under the Companies Act 2006 to avoid a situation in which they have, or could have, a direct or indirect conflict of interest or possible conflict with the company. Our Articles provide a general power for the Board to authorise such conflicts.

The Nominations Committee has been authorised by the Board to grant and regularly review any potential or actual conflict authorisations, which are recorded by the Company Secretary and noted by the Board. Directors are not counted in the quorum for the authorisation of their own actual or potential conflicts.

On a continuing basis, the Directors are responsible for informing the Company Secretary of any such new actual or potential conflicts that may arise or if there are any changes in circumstances that may affect an authorisation previously given. Even when provided with authorisation, a Director is not absolved from his or her statutory duty to promote the success of the company. If an actual conflict arises post-authorisation, the Board may choose to exclude the Director from receipt of the relevant information and participation in the debate, or suspend the Director from the Board, or, as a last resort, require the Director to resign.

The Nominations Committee reviewed the register of potential conflict authorisations in January 2019 and reported to the Board that the conflicts had been appropriately authorised and that the process for authorisation continues to operate effectively. Except as described in Note 35 to the financial statements, 'Related party transactions', during or at the end of the financial year no Director or Person Closely Associated had any material interest in any contract of significance with a Group company.

Our Articles also prohibit a Director from voting on any resolution concerning his or her appointment or the terms or termination of his or her appointment.

Independent advice

The company has an agreed procedure for Directors to take independent legal and/or financial advice at the company's expense where they deem it necessary.

Indemnification of Directors

Qualifying third party indemnity provisions (as defined in the Companies Act 2006) are in force for the benefit of Directors and former Directors who held office during 2018 and up to the signing of the Annual Report.

Change of control and essential contracts

We do not have contracts or other arrangements which individually are fundamental to the ability of the business to operate effectively, nor is the company party to any material agreements that would take effect, be altered, or terminate upon a change of control following a takeover bid. We do not have agreements with any Director that would provide compensation for loss of office or employment resulting from a takeover, except that provisions of the company's share plans may cause options and awards granted under such plans to vest on a takeover. Details of the termination provisions in the Executive Directors' service contracts are given in the full version of the company's 2017 Remuneration policy which is available at www.gsk.com in the Investors section.

Directors' Report

For the purposes of the UK Companies Act 2006, the Directors' Report of GlaxoSmithKline plc for the year ended 31 December 2018 comprises pages 65 to 94 of the Corporate Governance Report, the Directors' statements of responsibilities on pages 126 and 127 and pages 241 to 270 of Investor Information. The Strategic report sets out those matters required to be disclosed in the Directors' Report which are considered to be of strategic importance:

- risk management objectives and policies (pages 34 to 36 and 241 to 250)
- likely future developments of the company (Strategic report)
- research and development activities (pages 13 to 23)
- inclusion and diversity (page 28)
- provision of information to, and consultation with, employees (page 28)
- carbon emissions (page 32)

The following information is also incorporated into the Directors' Report:

	Location in Annual Report
Interest capitalised	Financial statements, Notes 17 and 19
Publication of unaudited financial information	Group financial review, page 37
Details of any long-term incentive schemes	Remuneration report
Waiver of emoluments by a Director	Not applicable
Waiver of future emoluments by a Director	Not applicable
Non pre-emptive issues of equity for cash	Not applicable
Non pre-emptive issues of equity for cash by any unlisted major subsidiary undertaking	Not applicable
Parent company participation in a placing by a listed subsidiary	Not applicable
Provision of services by a controlling shareholder	Not applicable
Shareholder waiver of dividends	Financial statements, Notes 15 and 43
Shareholder waiver of future dividends	Financial statements, Notes 15 and 43
Agreements with controlling shareholders	Not applicable

The Directors' Report has been drawn up and presented in accordance with and in reliance upon English company law and the liabilities of the Directors in connection with that report shall be subject to the limitations and restrictions provided by such law.

The Directors' Report was approved by the Board of Directors on 11 March 2019 and signed on its behalf by:

Philip Hampton
Chairman

11 March 2019