
Remuneration

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Remuneration report

Chairman's annual statement

Dear Shareholder

On behalf of the Remuneration Committee (the Committee), I am pleased to present to you our Remuneration report for 2018. The Annual report on remuneration and this annual statement will be subject to an advisory vote at our AGM on 8 May 2019.

2018 performance

Overall, 2018 was a year of very good progress for GSK. We saw Group sales growth of 5% CER driven by growth across all three businesses, strong commercial execution of new product launches, especially *Shingrix*, continued cost discipline and better cash generation. We also achieved earnings growth with adjusted EPS up 12%. It was a significant year for the Group strategically, with the launch of a new R&D strategy focused on immunology, genetics and new technologies, together with a series of transactions that support GSK's strategy and reshape of the Group's portfolio.

2018 remuneration outcomes

All awards in relation to 2018 were made in accordance with our approved Remuneration policy. The key decisions made by the Committee were as follows:

- The bonus outcomes for the Executive Directors were determined by reference to performance against the agreed financial measure, as well as the Committee's assessment of their individual levels of performance. In conjunction with assessment of individual performance, this has resulted in bonus payments being made above target. The Committee adjusted the Adjusted Group PBIT target upwards to reflect the outperformance on this measure attributable to the timing impact of the loss of *Advair* exclusivity. The Committee believe the bonus outcomes appropriately reflect the overall underlying performance in 2018. Further details of the bonus outcomes for the year are provided on page 101.
- Vesting of the 2016 Performance Share Plan (PSP) awards and the matching awards under the Deferred Annual Bonus Plan (DABP) were based on the pre-agreed measures of R&D new product performance, adjusted free cash flow and relative TSR, each with an equal weighting. Performance was measured over

the three years to 31 December 2018. The threshold target for the TSR measure was not met, but the maximum R&D target was achieved. In reviewing the adjusted free cash flow performance the target was adjusted upwards to reflect the outperformance attributable to the timing impact of the loss of *Advair* exclusivity. This resulted in an overall vesting level of 59%. Further details of the vesting outcome for the 2016 PSP and DABP matching awards are provided on page 103.

Remuneration policy implementation for 2019

CEO remuneration

At the time of Ms Walmsley's appointment to the role of CEO, the Committee set her remuneration at a level to reflect the fact that this was her first CEO role, significantly below the previous incumbent and the market. At that time, in the 2016 Annual report on remuneration and again in our 2017 report, we highlighted that it was our intention to keep Ms Walmsley's package under review in the coming years, subject to her development and performance in role.

Ms Walmsley has now been in position for nearly two years and in the Board's view has already delivered a number of significant achievements, including developing and deploying Innovation, Performance and Trust strategic priorities, driving culture change across the company and strong financial delivery in 2017 and 2018.

Looking ahead, Ms Walmsley has also set a clear capital allocation framework for the Group and as part of this delivered the Consumer Healthcare business buy-out from Novartis in 2018 and announced the proposal creation of a Consumer Healthcare Joint Venture with Pfizer towards the end of the year. While this remains subject to shareholder approval, it has created a clear pathway for the Group to deliver substantial further value for shareholders in the longer term.

Given the above, the view of the Board is that Ms Walmsley has established herself successfully and is already demonstrating a track record of delivering strongly against her priorities for the business. We believe it is now the right time to start reflecting this development and performance in her remuneration. This is consistent with how we review the remuneration of all our employees as they develop and progress in their roles.

2018 at a glance

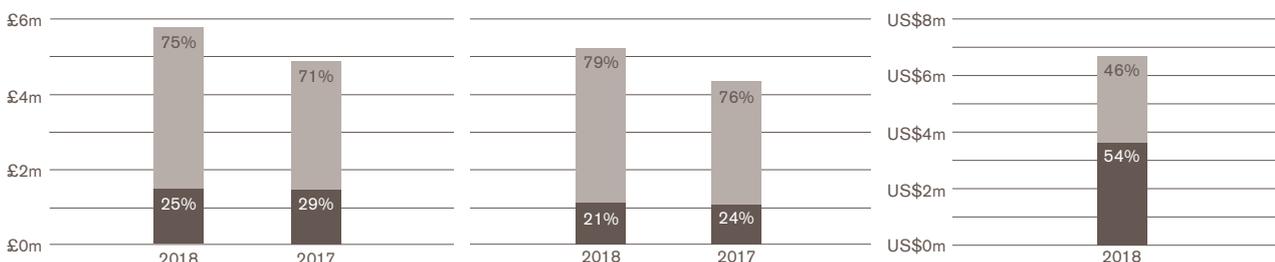
2018 Total Remuneration

The following shows a breakdown of total remuneration paid to Executive Directors in office at 31 December 2018, in respect of 2018 and 2017.

Emma Walmsley
CEO

Simon Dingemans
CFO

Dr Hal Barron⁽¹⁾
Chief Scientific Officer and President, R&D



● Fixed pay – salary, benefits and pension
● Performance pay – 2018 annual bonus and LTIs earned in respect of the three year performance period to the end of 2018

(1) Dr Hal Barron was appointed to the Board on 1 January 2018.

Following consultation with some of our major shareholders, the Committee has considered how to address this and has taken the feedback from shareholders into account in deciding to implement a two-step salary increase for Ms Walmsley's as follows:

- An 8% increase from 1 January 2019 that results in a base salary of £1,110,348 (currently £1,028,100); and
- An 8% increase from 1 January 2020, subject to continued development and sustained performance in role. This would result in a base salary from 2020 of £1,199,176.

This phased approach will enable the Committee to monitor sustained performance as well as any market developments.

Incentive measures

Following careful consideration, the Committee has determined that no changes to our LTI measures will be made in 2019. As such, PSP awards granted in 2019 will be subject to the same performance conditions as in previous grants: R&D new product performance, adjusted free cash flow and relative TSR. Further details on our implementation for 2019 are set out on page 108.

However, we are taking this opportunity to respond to feedback from some of our shareholders to reduce the threshold level of vesting under the TSR element of our PSP from 30% to 25% of the maximum. Accordingly, all our performance measures for future awards will now vest at 25% of the maximum opportunity for threshold performance.

New appointments to the Board

In May 2018, Simon Dingemans announced that he would retire from the company. He is a voluntary leaver and therefore will not receive any severance payment when he leaves the company after the AGM on 8 May 2019.

Simon will continue to receive his base salary until he leaves GSK. He was also eligible to receive a bonus for 2018 based on a combination of business and individual performance. He will not receive any bonus for the portion of 2019 for which he will be employed and any PSP and DABP matching awards which have not already vested prior to his departure will lapse when he leaves. He was not eligible to receive an LTI award in 2019.

In August 2018, we announced the appointment of Iain Mackay to the role of Chief Financial Officer from 1 April 2019. He joined the CET and Board on 14 January 2019. Iain's remuneration package is fully in line with the Remuneration policy approved by shareholders in 2017. His base salary will be £850,000, which the Committee felt was appropriate to reflect his experience and qualifications and his total compensation was also validated as being within the competitive range seen among our UK cross-industry comparator group.

Looking ahead

The Committee has reviewed its current practices against the revised UK Corporate Governance Code (the 2018 Code) published by the Financial Reporting Council (FRC) and we will report in 2020 on how we complied with the 2018 Code during 2019.

In line with the commitment we made in our 2017 report we have disclosed our CEO pay ratio this year, ahead of the reporting requirement, in line with the methodology prescribed in the secondary legislation published by the UK Government in 2018.

Given that our Remuneration policy will expire at our 2020 AGM, this year the Committee will be undertaking a review of GSK's remuneration arrangements, taking into consideration the governance developments during the period since our current policy was approved.

We plan to continue our regular dialogue with shareholders and will hold our annual meeting with GSK's largest investors later in the year to listen to their views and feedback.

AGM

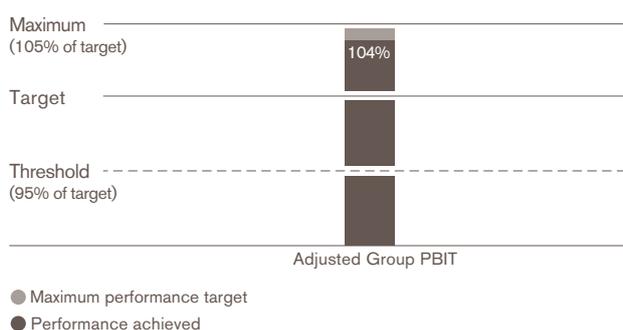
Finally, I would like to thank shareholders for their ongoing input and engagement and I welcome all shareholders' feedback on this report. We look forward to receiving your support for our Annual report on remuneration at our AGM on 8 May 2019.

Urs Rohner

Remuneration Committee Chairman
11 March 2019

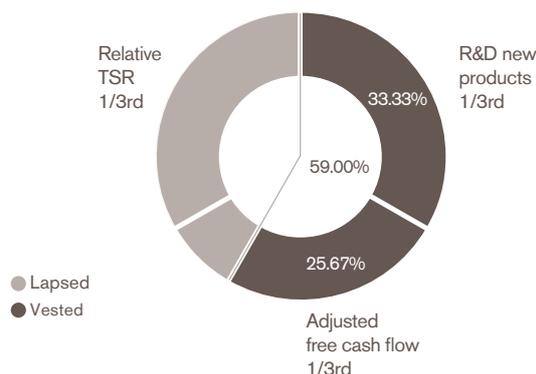
Pay for performance

2018 Annual bonus: financial performance



2016 LTI outcome: performance period ended 31 December 2018

Overall vesting 59%



Annual report on remuneration

2018 Total remuneration (audited)



The total remuneration for 2018 for each Executive Director is set out in the table below:

	Emma Walmsley, CEO		Simon Dingemans, ⁽¹⁾ CFO		Dr Hal Barron, ⁽²⁾ Chief Scientific Officer and President, R&D		Sir Patrick Vallance, ⁽³⁾ (Former President, R&D)		
	2018 £000	2017 £000	2018 £000	2017 £000	2018 \$000	2017 \$000	Jan-Mar 2018 £000	2017 £000	
A. Fixed pay									
Salary	(+) See page 99	1,028	965	773	754	1,700	–	203	780
Benefits	(+) See page 99	234	266	141	142	807	–	42	102
Pension	(+) See page 100	207	195	155	151	1,043	–	39	156
Total fixed pay		1,469	1,426	1,069	1,047	3,550	–	284	1,038
B. Pay for performance									
2018 Annual bonus ⁽⁴⁾	(+) See pages 101 and 102	1,912	1,540	1,368	1,090	3,009	–	–	1,127
Vesting of LTI awards:									
DABP matching awards ⁽⁵⁾	(+) See page 103	301	112	398	156	–	–	–	182
PSP ⁽⁶⁾	(+) See page 103	2,205	1,805	2,367	2,012	–	–	–	2,041
Total pay for performance		4,418	3,457	4,133	3,258	3,009	–	–	3,350
A+B = Total remuneration		5,887	4,883	5,202	4,305	6,559	–	284	4,388

Notes:

- (1) Simon Dingemans' vested PSP shares will be subject to a two-year holding period. Ms Walmsley's PSP shares are not subject to the same holding requirement as her grant was awarded before she was appointed an Executive Director.
- (2) Dr Hal Barron was appointed to the Board with effect from 1 January 2018.
- (3) Sir Patrick Vallance resigned from the company and the Board on 31 March 2018. Salary reflects the basic salary earned for the time worked from 1 January to 31 March 2018 plus payment in lieu of accrued holiday not taken, in accordance with GSK's standard UK holiday pay policy.
- (4) Details of the mandatory bonus deferrals under the Deferred Annual Bonus Plan (DABP) are set out on page 114. Matching awards are no longer granted under the DABP.
- (5) Further details in respect of the vesting of DABP matching awards and Performance Share Plan (PSP) awards for the three-year period to 31 December 2018 are provided on page 103.
- (6) The Committee may in specific circumstances, and in line with stated principles, apply clawback/malus, as it determines appropriate. Following due consideration by the Committee, there has been no recovery of sums paid (clawback) or reduction of outstanding awards or vesting levels (malus) applied during 2018 in respect of any of the Executive Directors.

Past Directors: Payments to past directors are set out on page 109. The PSP and DABP awards for Sir Andrew Witty and Dr Moncef Slaoui granted in 2015 and 2016 have now vested. The 2015 awards vested following the one-year anniversaries of their respective leaving dates in accordance with the terms of the Executive Recoupment Policy. The 2016 awards vested in accordance with the standard vesting policy. The 2015 and 2016 PSP awards are subject to an additional two-year holding period until February 2020 and February 2021 respectively. As disclosed on page 136 of the 2016 Annual Report they both left GSK by mutual agreement, neither received any termination payments and any outstanding incentive awards were treated in accordance with the 2014 Remuneration policy, approved by shareholders, under which they were granted.

2018 Total remuneration (audited) continued

The following sections provide details of each element of 'Total remuneration', including how the Committee implemented the approved Remuneration policy in 2018.

Comparator groups for pay and TSR

The Committee used two pay comparator groups for all roles when considering executive pay for 2018. The primary group used for each Executive Director was as follows:

UK cross-industry comparator group			Global pharmaceutical comparator group		
Emma Walmsley	AstraZeneca	Reckitt Benckiser	Dr Hal Barron	France	US
Simon Dingemans	BHP Group	Rio Tinto		Sanofi	AbbVie ⁽¹⁾
	BP	Royal Dutch Shell		Switzerland	Amgen ⁽¹⁾
	British American Tobacco	Unilever		Novartis	Bristol-Myers Squibb
	Diageo	Vodafone		Roche Holdings	Eli Lilly
				UK	Johnson & Johnson
				AstraZeneca	Merck & Co
					Pfizer

(1) AbbVie and Amgen are included for remuneration benchmarking, but are not included in the TSR comparator group.

When reviewing the CEO's remuneration, the Committee also references pay for a group of leading European companies whose selection is based on their size and complexity.

Fixed pay (audited)

Salary

The table below sets out the base salaries of the Executive Directors over the last two years. As disclosed last year, the salary increases made in 2018 were aligned with those provided to the wider workforce. Details of salary levels for 2019 are provided on page 108.

	% change	Base salary	
		2018	2017
Emma Walmsley	2.5%	£1,028,100	£1,003,000 ⁽¹⁾
Simon Dingemans	2.5%	£772,800	£754,000
Dr Hal Barron	n/a	\$1,700,000	–
Sir Patrick Vallance	0%	£780,000	£780,000

(1) Ms Walmsley's salary as CEO Designate between 1 January and 31 March 2017 was £850,000. Her salary then increased from 1 April 2017 to £1,003,000 when she became CEO.

Benefits

The table opposite shows a breakdown of the grossed up cash value of the benefits received by the Executive Directors in 2018 and 2017 which included:

- **Employee benefits:** all employee share plans, healthcare, home security, car allowance, personal financial advice and life assurance/death in service cover.
- **Travel expenses:** include travel costs for the Executive Director and as appropriate for their spouse/partner associated with accompanying the Executive Director on GSK business, which are deemed to be taxable benefits on the Director.
- **Other benefits:** expenses incurred in the ordinary course of business, which are deemed to be taxable benefits for the individual.

	2018 benefits £000	2017 benefits £000
Emma Walmsley		
Employee benefits	74	60
Travel	144	146
Other benefits	16	60
Total	234	266
Simon Dingemans		
Employee benefits	55	53
Travel	74	64
Other benefits	12	25
Total	141	142
Sir Patrick Vallance		
Employee benefits	20	48
Travel	10	46
Other benefits	12	8
Total	42	102
Dr Hal Barron⁽¹⁾	\$000	\$000
Employee benefits	42	–
Travel	464	–
Other benefits	301	–
Total	807	–

(1) Dr Hal Barron is based in San Francisco and travels for business purposes which is treated from a tax perspective as a benefit. It is therefore included in the table above. The grossed up cash value of Dr Barron's travel in 2018 was \$464,314. Other benefits includes the grossed up value of UK accommodation of \$294,547.

Annual report on remuneration continued

Fixed pay (audited) continued

Pensions

Executive Director	Member since	Pension arrangements in 2018
Emma Walmsley	2010	20% of base salary and matching contributions on the first £33,333 of salary; ⁽¹⁾ 20% of base salary in lieu of pension on salary in excess of £33,333 ⁽²⁾ .
Simon Dingemans	–	20% of base salary in lieu of pension ⁽³⁾
Dr Hal Barron	2018	Member of the US Cash Balance and the Supplemental Cash Balance pension plans, under which GSK makes annual contributions of 38% of base salary, in line with other US senior executives and members of GSK's Corporate Executive Team. Dr Barron is also a member of the 401(k) plan open to all US employees and the Executive Supplemental Savings Plan (ESSP), a savings scheme open to US executives to accrue benefits above the 401(k) plan limits. Having completed one year's service, from 1 January 2019, Dr Barron receives a combined contribution rate under the 401(k) and ESSP plans of 6% (2% core contributions plus a match of up to 4%) of total base salary and bonus, less the bonus deferred under the DABP.
Sir Patrick Vallance	–	20% of base salary in lieu of pension ⁽³⁾

(1) As a member of the defined contribution plan, Emma Walmsley is eligible to receive a matching award of up to 5% on the first £33,333 of her salary in accordance with the terms of the plan.

(2) Emma Walmsley receives a cash payment in lieu of pension of 20% of base salary in excess of £33,333 in line with GSK's defined contribution pension plan rates.

(3) Simon Dingemans and Sir Patrick Vallance received cash payments in lieu of pension of 20% of base salary in line with GSK's defined contribution pension plan rates.

The following table shows the breakdown of the pension values set out on page 98.

	Emma Walmsley		Simon Dingemans		Dr Hal Barron		Sir Patrick Vallance	
	2018 £000	2017 £000	2018 £000	2017 £000	2018 \$000	2017 \$000	Jan-Mar 2018 £000	2017 £000
Pension remuneration values⁽¹⁾								
UK defined contribution	8	9	–	–	–	–	–	–
US defined benefit	–	–	–	–	1,043	–	–	–
Employer cash contributions	199	186	155	151	–	–	39	156
Total pension remuneration value	207	195	155	151	1,043	–	39	156

(1) The pension remuneration figures have been calculated in accordance with the methodology set out in The Large and Medium-sized Companies and Group (Accounts and Reports) (Amendment) Regulations 2013 (Remuneration Regulations).

Further details regarding the 2018 pension values for Dr Hal Barron, are set out in the table below.

Dr Hal Barron pension values ⁽¹⁾	Accrued pension		Pension remuneration value for 2018 \$000
	31 December 2018 \$000	31 December 2017 \$000	
US – Unfunded	52	–	1,043
Total	52	–	1,043

(1) Dr Hal Barron joined GSK on 1 January 2018. The pensions figures are disclosed for Dr Barron, who is a member of the US style defined benefit plans. In accordance with paragraph 10.e.ii of Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, as amended, the table shows the accrued benefit (ie the annual pension accrued to date). The pension remuneration in 2018 is calculated as the increase in the accrued benefit, adjusted for inflation and multiplied by 20 to reflect the fact that the benefit will be received for a number of years.

Pay for performance (audited)

Annual bonus



2018 performance against targets

For 2018, the financial measures and weightings were as follows:

Performance measure	Weighting	2018 Adjusted Group PBIT performance			
		Executive Directors	2018 target ⁽¹⁾	Outcome	Positioning against target
Adjusted Group PBIT	70%		£8,423m	£8,754m	104%
Individual objectives	30%				

⁽¹⁾ Threshold and maximum performance targets were set at 95% and 105% of Target respectively. The target for 2018 was increased by £215 million to reduce the level of over performance attributable to the original timing assumption for the loss of *Advair* exclusivity.

⁽²⁾ The Adjusted Group PBIT target and outcome for the purposes of the Annual bonus calculation differ from Adjusted Group PBIT disclosed elsewhere in this Annual Report, primarily because both the target and outcome numbers are calculated applying GSK budget exchange rates and not actual exchange rates.

The following table shows actual bonuses earned compared to bonus opportunity for 2018:

Bonus	2018 bonus opportunity			2018 bonus outcome			
	Target (% of salary)	Maximum (% of salary)	2018 Base salary	Financial performance (% of salary)	Individual objectives (% of salary)	Total 2018 bonus (% of salary)	Total 2018 bonus 000
Emma Walmsley			£1,028,100	126	60	186	£1,912
Simon Dingemans	100	200	£772,800	126	51	177	£1,368
Dr Hal Barron			\$1,700,000	126	51	177	\$3,009

The table below provides more detail on delivery against Adjusted Group PBIT:

Financial performance

- Group turnover was £30.8 billion, a 2% increase AER and 5% CER.
- Adjusted operating profit was £8,745 million, 2% higher on an AER basis and 6% higher CER.
- The Adjusted operating margin of 28.4% was flat on an AER basis compared with 2017 and 0.5 % higher CER. This reflected the benefit from sales growth across all three businesses on a CER basis and a more favourable mix, primarily in Vaccines and Consumer Healthcare. The margin also benefited from the prioritisation of R&D expenditure and the comparison with the impact of the Priority Review Voucher utilised and expensed in 2017, as well as continued tight control of ongoing costs across all three business. This was partly offset by continued pricing pressure, particularly in respiratory, increased input costs, the comparison with the benefit in 2017 of a settlement for lost third party supply volume in Vaccines, investments in promotional product support, particularly for new product launches, and a reduction in royalty income.

Annual report on remuneration continued

Pay for performance (audited) continued

The following table summarises performance against the scorecard of individual objectives agreed by the Committee for each Executive Director:

Individual objectives

Emma Walmsley	
<ul style="list-style-type: none"> – Continued focus and progress against long-term Innovation, Performance and Trust priorities. – Strong financial and operational performance for the Group in 2018. Turnover £30.8 billion, Total operating profit £5.5 billion, Free cash flow £5.7 billion. – Strong launch execution evidenced by <i>Shingrix</i> sales £784 million, new Respiratory products £2,612 million and <i>Juluca</i> £133 million. – New approach to R&D launched and start of strengthening of pipeline, particularly in oncology. New R&D senior leadership team established with outstanding new hires. Significant pipeline prioritisation and new R&D portfolio governance process across R&D and commercial. – Significant progress made in R&D business development through agreement to acquire Tesaro and multi-year collaboration with 23andMe. – Successful implementation of portfolio/brand and geographic prioritisation in Pharmaceuticals and Consumer Healthcare businesses. 	<ul style="list-style-type: none"> – Significant transactions undertaken to support strategy and re-shape the business: <ul style="list-style-type: none"> – Successful agreement with Novartis to acquire full ownership of Consumer Healthcare business – Divestment of <i>Horlicks</i> and other Consumer Healthcare nutrition brands to Unilever – Proposed Consumer Healthcare Joint Venture agreed with Pfizer. – New commercial operating model in Pharmaceuticals implemented to support the evolving portfolio. – New 5-year Pharmaceuticals supply chain strategy implemented resulting in savings in improved productivity whilst maintaining compliance. – Successful employee engagement through increased visibility of CET members through key internal communication platforms. – Continued successful development of CET: <ul style="list-style-type: none"> – Three internal CET promotions – New external Chief Financial Officer appointment – Key leadership appointments in place with 69% of top 125 leaders new in role. – Successfully achieved diversity target of 33% women at the Senior Vice President and the Vice President level.
Dr Hal Barron	
<ul style="list-style-type: none"> – New approach to R&D launched and start of strengthening of pipeline, particularly in oncology. New R&D senior leadership team established with outstanding new hires. Significant pipeline prioritisation and new R&D portfolio governance process across R&D and commercial. – Significant progress made in business development through agreement to acquire Tesaro and multi-year collaboration with 23andMe. 	<ul style="list-style-type: none"> – Good progress made in re-shaping and building capabilities in Medicinal science and Technology organisations within R&D. – Continued strong momentum in delivery of new approach to R&D including: <ul style="list-style-type: none"> – Ongoing re-build of Pharmaceuticals pipeline with majority of new medicines now in development targeting modulation of the immune system – Major progress made in oncology pipeline reflecting organic progress and agreement to acquire Tesaro
Simon Dingemans	
<ul style="list-style-type: none"> – Delivered strong financial leadership for the Group in 2018. – Improved cash flow generation (Free cash flow £5.7 billion), Total operating profit (£5.5 billion) and Group turnover (£30.8 billion). 	<ul style="list-style-type: none"> – Significant contribution in the successful execution of our M&A strategy: <ul style="list-style-type: none"> – Successful agreement with Novartis to acquire full ownership of Consumer Healthcare business – Divestment of <i>Horlicks</i> and other Consumer Healthcare nutrition brands to Unilever – Proposed Consumer Healthcare Joint Venture agreed with Pfizer

Malus and clawback policy

For details of our policy on malus/clawback, please refer to the 2017 Executive Director Remuneration policy summary on page 121.

From 1 January 2015 in respect of each financial year, the Committee decided to disclose whether it (or the Recoupment Committee) has exercised malus or clawback.

Disclosure is only made when the matter has been the subject of public reports of misconduct, where it has been fully resolved, where it is legally permissible to disclose and where it can be made without unduly prejudicing the company and therefore shareholders.

In line with these disclosure guidelines, neither the Committee (nor the Recoupment Committee) exercised malus or clawback during 2018.

Other policies

For details of our policies on recruitment remuneration, loss of office and termination payments, please refer to the 2017 Remuneration policy report on pages 137 to 146 of the 2016 Annual Report, available at www.gsk.com in the Investors section.

Pay for performance (audited) continued

Value earned from long-term incentives (LTIs)

The following tables set out the performance achieved by management against the targets set for the company's LTI plans and also includes an update on performance of outstanding awards.

In line with the Committee's agreed principles, for each measure applicable to the LTI awards, actual performance against the targets is reviewed and adjustments made as appropriate to ensure that the vesting outcome reflects genuine underlying business performance. Further details on any adjustments made will be provided at the time of vesting.

2016 awards with a performance period ended 31 December 2018

The Committee reviewed the performance of the PSP awards and the DABP matching awards granted to Executive Directors against the targets set. The Committee decided to increase the Adjusted Free Cash Flow ('AFCF') target and associated vesting scale for the 2016 PSP and DABP matching awards to reduce the level of outperformance attributable to the original timing assumption for the loss of *Advair* exclusivity. There are no changes to the targets set for the R&D New Product performance measure or the Relative TSR performance measure for the 2016 PSP awards and DABP matching awards.

The performance achieved in the three years to 31 December 2018 and the vesting levels are set out in the table below.

Performance measures and relative weighting	Performance targets	Outcome and vesting level			
		Outcome	% of maximum	% of award	
R&D new product performance (1/3rd)	R&D new product sales performance measures aggregate three-year sales for new products launched in the three-year performance period and the preceding two years, i.e. 2014-18.	£10.44bn	100	33.33	
	Target	% vesting			
	Maximum	£8.53bn	100%		
		£7.76bn	75%		
		£7.37bn	50%		
	Threshold	£6.98bn	25%		
Adjusted free cash flow performance (1/3rd)	In line with the company's agreed principles, the AFCF figures included adjustments for a number of material distorting items, including legal settlements, exchange rate movements and special pension contributions.	£13.18bn	77	25.67	
	Original Target	Revised Target	% vesting		
	Maximum	£13.46bn	£13.72bn	100%	
		£12.87bn	£13.12bn	75%	
		£11.70bn	£11.93bn	50%	
	Threshold	£11.35bn	£11.57bn	25%	
Relative TSR performance (1/3rd)	TSR ranking within comparator group⁽¹⁾	% vesting	Ranked 6th	0	0
	Maximum	1st, 2nd, 3rd	100%		
		4th	72%		
		5th	44%		
	Threshold⁽²⁾	Median	30%		
	6th to 10th	0%			

(1) TSR comparator group: AstraZeneca, Bristol-Myers Squibb, Eli Lilly, GSK, Johnson & Johnson, Merck & Co, Novartis, Pfizer, Roche Holdings and Sanofi.

(2) The vesting schedule is based on delivering 30% vesting for median performance. In a comparator group of ten companies, median falls between two companies.

Total vesting in respect of 2016 awards

59%

Annual report on remuneration continued

Pay for performance (audited) continued

Update on performance of ongoing LTI awards

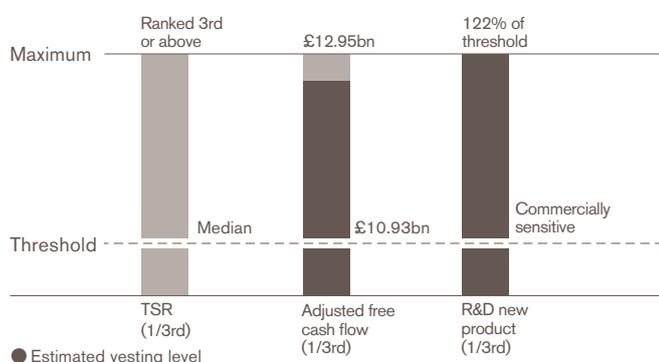
The Committee also reviewed the performance of the PSP awards granted to Executive Directors in 2017 and 2018, and of the DABP matching awards granted to Executive Directors in 2017. The following charts provide an estimate of the vesting levels taking into account performance to 31 December 2018. Actual vesting levels will only be determined based on performance over the full three-year performance periods. The indications below should therefore not be regarded as predictions of the final vesting levels.

In addition to the adjustments made to the target and associated vesting scale for the 2016 PSP awards and the DABP matching awards, adjustments have been made to the AFCF targets and associated vesting scales for the 2017 and 2018 awards, as follows:

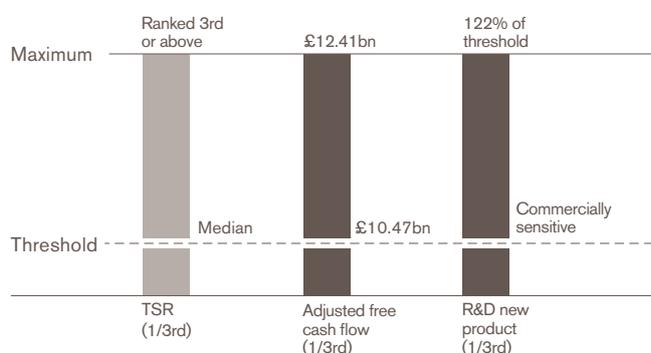
- The target for the 2017 PSP awards and the DABP matching awards have been decreased in aggregate by £557m to £11.26bn. This is to reflect:
 - (i) a reduction to the target due to the forecast impact of the Tesaro acquisition and the major restructuring programme announced with the Q2 2018 results; and
 - (ii) an increase to the target to reduce the level of *Advair* outperformance attributable to the delayed loss of exclusivity. The overall net impact is a reduction to the target.
- The target for the 2018 PSP award has been similarly adjusted for the same factors applicable to the 2017 PSP. The net overall impact is a decrease to the target of £1.29bn to £10.79bn. The reduction is primarily driven by the impact of the restructuring programme and the Tesaro acquisition. The adjustment for the delayed loss of exclusivity results in an increase to target.

There are no changes to the targets set for the R&D New Product performance measure or the TSR performance measure for the 2017 and 2018 awards.

2017 award – Performance update



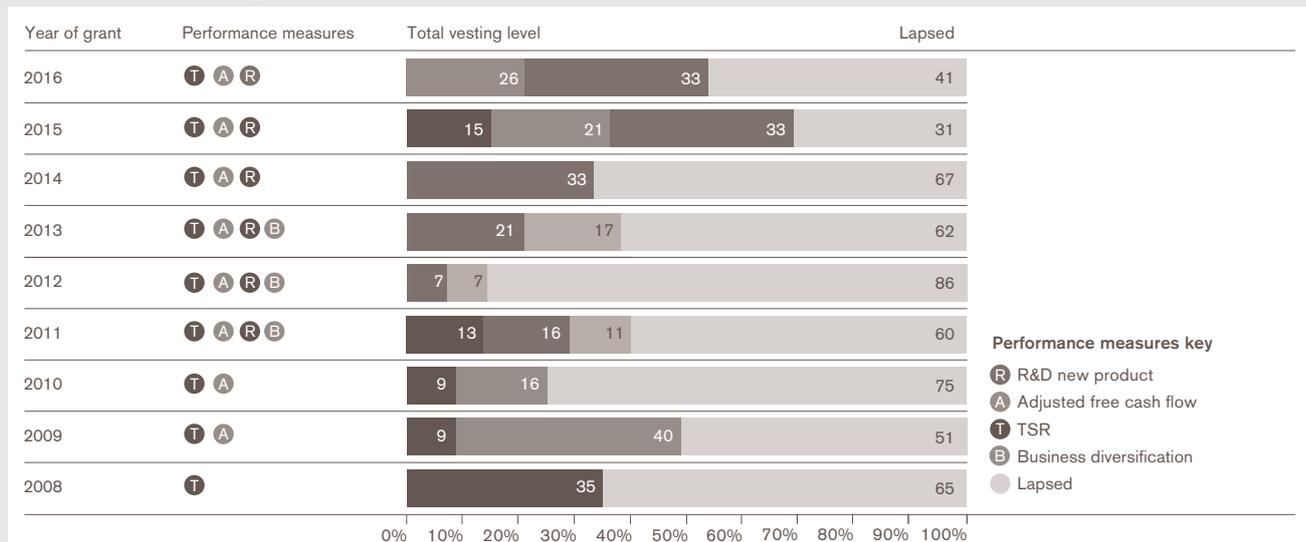
2018 award – Performance update



For threshold performance, 25% of each award will vest in respect of R&D new product and AFCF measures and 30% for the TSR element. The TSR comparator group remains unchanged from that shown on page 103 in respect of the 2016 awards.

Pay for performance (audited) continued

Historical vesting for GSK's LTIs



2018 LTI awards

The levels of participation in the DABP in respect of 2017 bonus deferrals are shown in the table below. The table also shows the PSP award details for 2018.

	DABP awards			PSP awards		
	2017 % of total bonus deferred	2018 Number of shares	2018 Face value of award ⁽¹⁾	2018 Award level as % of base salary	2018 Number of shares	2018 Face value of award ⁽²⁾
Emma Walmsley	50%	58,889 shares	£0.770m	550%	437,997 shares	£5.7m
Simon Dingemans	50%	41,674 shares	£0.545m	400%	239,442 shares	£3.1m
Dr Hal Barron ⁽⁴⁾	n/a	–	–	500%	233,132 ADS	\$8.5m
Sir Patrick Vallance ⁽⁵⁾	50%	43,111 shares	£0.563m	–	–	–

(1) The face values of the DABP awards have been calculated based on a share price of £13.07, being the closing price on 28 February 2018. These are nil-cost options. No performance conditions are attached to the DABP awards, as they reflect the mandatory deferrals in respect of the 2017 annual bonus earned.

(2) The face values of the PSP awards have been calculated based on a share price of £12.91, and an ADS price of \$36.46, being the closing prices on 13 February 2018. These are conditional shares, based on three equally weighted measures; (i) R&D New Product Performance; (ii) Adjusted free cash flow; and (iii) Relative TSR. The first two performance measures vest at 25% at threshold, and the third performance measure at 30% at threshold.

(3) The performance period for the PSP 2018 awards is from 1 January 2018 to 31 December 2020.

(4) Dr Hal Barron was appointed to the Board on 1 January 2018.

(5) Sir Patrick Vallance's DABP award will vest as normal three years after the date it was granted.

All-employee share plans

UK Executive Directors may participate in HMRC approved all-employee share plans, i.e. Share Save and Share Reward plans.

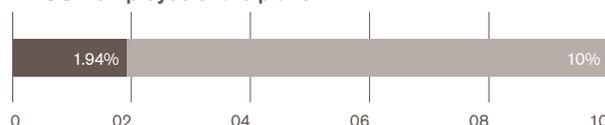
Participants of the Share Save Plan may save up to £250 a month for three years and at the end of the period have the option to buy GSK shares at a 20% discount to the share price at the start of the savings contract. Participants of the Share Reward Plan contribute up to £125 a month to purchase GSK shares which the company then matches.

	Monthly saving	
	Share Save (£)	Share Reward (£)
Emma Walmsley	250	125
Simon Dingemans	150	125

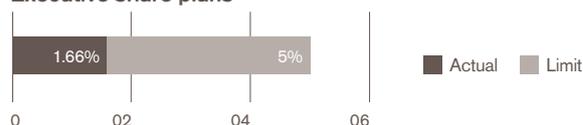
Dilution limits

All awards are made under plans which incorporate dilution limits consistent with the guidelines published by the Investment Association. These limits are 10% in any rolling ten-year period for all plans and 5% in any rolling ten-year period for executive share plans. Estimated dilution from existing awards made over the last ten years up to 31 December 2018 is as follows:

All GSK employee share plans



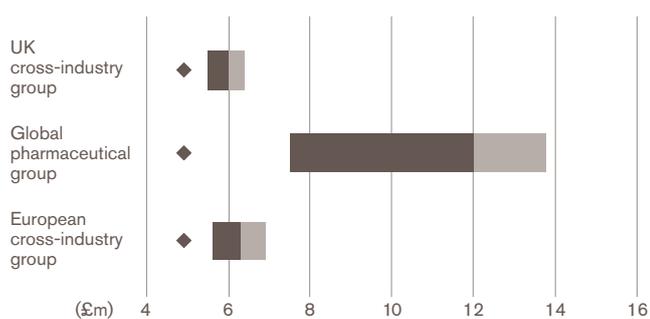
Executive share plans



Annual report on remuneration continued

CEO pay comparison

2018 CEO total remuneration positioning



Remuneration includes salary and the expected value of incentives based on the Committee's agreed benchmarking methodology.

CEO pay ratios

Financial Year	Methodology	P25 (Lower Quartile)	P50 (Median)	P75 (Upper Quartile)
2018	Option A	122:1	90:1	56:1

The pay ratios above are calculated by using actual earnings for the CEO and UK employees. The CEO total single figure remuneration of £5,886,672 is given on page 98 of this Report.

Total remuneration for all UK full-time equivalent employees of the company on 31 December 2018 have been calculated in line with the single figure methodology and reflects their actual earnings received in 2018 (excluding business expense), which were used to produce the percentile calculation under Option A. Business expenses have been excluded as they are reimbursed to the employees and not substantial in value to significantly impact the ratios.

GSK has chosen Option A because it is the most robust and statistically accurate way for the company to calculate the three ratios from the options available in the Regulations.

Set out in the table below is the base salary and total pay and benefits for each of the percentiles.

£	25th Percentile (P25)	Median (P50)	75th Percentile (P75)
Salary	33,090	44,944	64,185
Total pay and benefits	48,370	65,149	105,045

The Committee believes that the median pay ratio is consistent with the company's pay, reward and progression policies. Base salaries of all employees, including our Executive Directors, are set with reference to a range of factors including market practice, experience and performance in role.

Supplemental/Additional Ratios

GSK's CEO pay ratio is likely to vary, potentially significantly, over time since it will be driven largely by CEO variable pay outcomes. In line with our reward principles, the CEO has a larger portion of her pay based on performance than the individuals at P25, P50 and P75. This means that depending on GSK's performance the ratio could increase or decrease significantly. The Committee believes that our senior executives should have a significant proportion of their pay directly linked to performance.

In light of this we have also provided supplemental ratios, where Long Term Incentive compensation has been excluded. We believe this provides an additional view as long term incentive forms a substantial 42.6% of the CEO's total remuneration in 2018, which is highly variable and dependent on business performance. The CEO single figure of remuneration excluding Long Term Incentive Compensation is £3,381,135.

Financial Year	Methodology	P25 (Lower Quartile)	P50 (Median)	P75 (Upper Quartile)
2018	Option A*	70:1	52:1	34:1

*Total single figure remuneration less Long-Term Incentive Plans

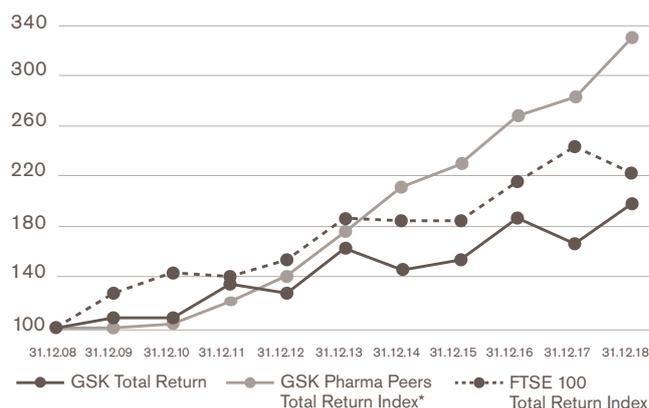
Historic CEO remuneration

	Emma Walmsley					Sir Andrew Witty					
	2018	2017	2017	2016	2015	2014	2013	2012	2011	2010	2009
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Single figure of remuneration	5,887	4,883 ⁽¹⁾	715 ⁽³⁾	6,830	6,661	3,902	7,207	4,386	6,807	4,562	5,790
Annual bonus award ⁽²⁾ (% of maximum)	93%	77%	0% ⁽³⁾	97%	100%	42%	88%	44%	100%	59%	100%
Vesting of LTI awards (% of maximum)	59%	69%	0% ⁽⁴⁾	33%	38%	14%	31%	24%	70%	35%	35%

- (1) Ms Walmsley's single figure of remuneration includes her pay for the period 1 January to 31 March 2017, before she became CEO.
- (2) 2009 and 2010 bonuses include amounts paid under the Operational Efficiency Bonus in place for those years. The overall maximum bonus receivable was still subject to a limit of 200% of base salary.
- (3) Sir Andrew received a pro-rata payment for 2017 in lieu of a variable bonus opportunity, in accordance with the 2014 Remuneration policy.
- (4) PSP and DABP awards for Sir Andrew granted in 2015 did not vest until April 2018, in accordance with the terms of the Executive Financial Recoupment Policy.

Performance graph

The following graph sets out the performance of the company relative to the FTSE 100 index and to the pharmaceutical performance comparator group for the ten-year period to 31 December 2018. These indices were selected for comparison purposes as they reflect both the primary index of which GSK is a constituent and the industry in which it operates.



* This index comprises AstraZeneca, Bristol-Myers Squibb, Eli Lilly, Johnson & Johnson, Merck & Co, Novartis, Pfizer, Roche Holdings and Sanofi.

Additional remuneration disclosures

Percentage change in remuneration of CEO

	Emma Walmsley		UK Employees
	2018 £000	% change	% change
Salary	1,028	2.5%	2.5%
Benefits	234	(12.03)%	0%
Annual bonus	1,912	24.16%	8%

For the wider UK employee population, the salary increase includes the annual salary review as well as any additional changes in the year, e.g. on promotion. UK employee benefits are unchanged on the previous year as there have been no changes to our benefit policies or levels. It does not reflect any changes to the level of benefits an individual may have received as a result of a change in role, e.g. promotion. The UK population was considered to be the most relevant comparison as it most closely reflects the economic environment encountered by the CEO.

Relative importance of spend on pay

The table shows total employee pay and the Group's dividends paid to shareholders.

	2018 £m	2017 £m
Total employee pay	9,440	9,122
Dividends	3,927	3,906

The figures in the table above, which reflect payments made during each year and the impact of movements in exchange rates, are as set out on pages 158 and 164. However, dividends declared in respect of 2018 were £3,935 million (2017 – £3,911 million) an increase of 0.5%.

Total employee pay is based on 96,851 employees, the average number of people employed during 2018 (2017 – 99,349).

Service contracts

The table below sets out the relevant dates of the Executive Directors' service contracts, which are available for review at the company's registered office during office hours and on gsk.com. Each Executive Director's service contract contains a 12-month notice period, as set out in our Remuneration policy.

	Date of contract	Effective date	Expiry date
Emma Walmsley	29.03.17	01.04.17	30.06.34
Simon Dingemans	08.09.10	04.01.11	30.04.28
Dr Hal Barron	16.12.17	01.01.18	31.12.24
Iain Mackay	18.09.18	14.01.19	n/a

Shareholder votes on remuneration matters

The table below shows most recent shareholder votes in respect of the Remuneration report and Remuneration policy.

	Total votes cast (billion)	Total votes for (%)	Total votes against (%)	Votes withheld (million)
2018 AGM				
Remuneration report	2.9	90.4	9.59	752
2017 AGM				
Remuneration policy	3.4	95.23	4.77	66

External appointments for Executive Directors

The Board encourages Executive Directors to hold one listed company external directorship (or equivalent) each as they become established in their roles, to broaden their experience and development, from which they may retain any fees. Any such appointments are considered by the Nominations Committee and the Board, in line with the company's policy on external appointments, to ascertain the nature and scope of the appointments and ensure they would not cause an actual or potential conflict of interest, and that the individual Executive Director continues to meet their existing commitments to GSK. It is the company's policy that remuneration earned from such appointments may be kept by the individual.

The Board recognises the importance of ensuring that Dr Hal Barron remains connected to the life sciences community and has therefore approved his appointment to the boards of GRAIL Inc (a private company), and Juno Therapeutics Inc (a NASDAQ listed company). Prior to his appointment to GRAIL, Dr Barron was a director of Juno until its acquisition by Celgene Corporation in March 2018.

Company	Position	For period	Fees earned
Juno Therapeutics Inc (NASDAQ listed)	Non-Executive Director	January to March 2018	\$29,232
GRAIL, Inc (private company)	Non-Executive Director	From August 2018	\$5,914

Annual report on remuneration continued

Implementation of Remuneration policy for 2019

Salary

The Committee determined the following salary increases taking into account the average increase for the wider workforce:

	2019	% change
Wider workforce ⁽¹⁾	–	2.5
Emma Walmsley ⁽²⁾	£1,110,348	8
Simon Dingemans	£772,800	–
Iain Mackay	£850,000	n/a
Dr Hal Barron	\$1,742,500	2.5

(1) Based on the average increase budget for employees below the level of CET in the UK.

(2) As referenced in the Chairman's annual statement following shareholder consultation the Committee has decided to adjust Ms Walmsley's pay to reflect her development and performance in role.

Benefits

No significant changes to the provision of benefits are proposed for 2019. For full details of the policy in relation to benefits, please refer to the details in the 2017 Remuneration policy report on pages 137 to 146 of the 2016 Annual Report, available at www.gsk.com in the Investors section.

Pension

The table below provides an overview of the pension arrangements for each ongoing Executive Director in 2019.

	Pension contribution
Emma Walmsley	20% of base salary and matching contributions of 5% on the first £33,333 of salary in accordance with the terms of the plan open to all employees, and 20% of base salary in lieu of pension on salary in excess of £33,333
Iain Mackay	38% of base salary. In addition, from 1 January 2019, a combined contribution rate under the 401(k) and ESSP plans of 6% (2% core contribution plus a match of up to 4%) of total base salary and bonus, less the bonus deferred under the DABP.
Dr Hal Barron	38% of base salary. In addition, from 1 January 2019, a combined contribution rate under the 401(k) and ESSP plans of 6% (2% core contribution plus a match of up to 4%) of total base salary and bonus, less the bonus deferred under the DABP.

Annual bonus

No significant changes to the operation of the Annual bonus plan, in accordance with the shareholder approved 2017 Remuneration policy, are proposed for 2019.

	Target	Maximum
Emma Walmsley		
Iain Mackay	100%	200%
Dr Hal Barron		

The financial measure is Adjusted Group PBIT, which represents a weighting of 70% for the Annual Bonus Plan. The individual performance measure represents the remaining weighting of 30%. Inevitably, targets linked directly to the financial and strategic plan are commercially sensitive. The Committee does not consider it appropriate to disclose annual bonus targets during the year as it may result in competitive harm. However, details of the performance targets will be disclosed on a retrospective basis in the 2019 Annual Report.

Long Term Incentive plans

Deferred Annual Bonus Plan (DABP) awards

The table below provides details of the mandatory deferral into the DABP of 50% of 2018 annual bonus payments and the associated awards granted. The shares awarded have no performance conditions but must be held for three years, regardless of continued employment.

	% of total bonus deferred into shares	(number shares)	2019 DABP award (number ADS)
Emma Walmsley	50	61,813	
Simon Dingemans	50	44,215	
Dr Hal Barron	50		37,120

Performance Share Plan (PSP) awards

The table below provides details of awards granted under the PSP:

	2019 PSP award (% of salary)	(number shares)	2019 PSP award (number ADS)
Emma Walmsley	550	404,592	
Iain Mackay	400	225,255	
Dr Hal Barron	500		217,161

Performance measures

The metrics for the PSP awards remain unchanged. The 2019 awards will continue to be based on three equally weighted measures:

- R&D new product performance;
- adjusted free cash flow; and
- relative TSR.

As in prior years, targets for R&D new products are commercially sensitive at the time of grant. However, the Committee intends to disclose targets in full following the end of the performance period.

In addition, the Committee will continue to provide shareholders with interim performance updates for this element over the course of the performance period.

TSR will continue to be measured against global pharmaceutical peers. For achieving threshold performance, 25% of each award will continue to vest in respect of the R&D new product performance and AFCF performance measures. The relative TSR vesting schedule for the 2019 awards has been revised as follows:

Ranking position	Vesting Schedule for the 2019 awards	Vesting Schedule for the 2018 awards
1st, 2nd or 3rd	100%	100%
4th	70%	72%
5th	40%	44%
Median (Threshold vesting)	25%	30%
6th or below	0%	0%

The TSR comparator group remains unchanged from that shown on page 103 in respect of the 2016 awards.

The adjusted free cash flow targets for the 2019 awards are as follows:

	Target	% vesting
Maximum	£13.91bn	100%
	£13.31bn	75%
	£12.10bn	50%
Threshold	£11.74bn	25%

Implementation of Remuneration policy for 2019 continued

Shareholdings versus Share Ownership Requirement (SOR)

To align the interests of Executive Directors with those of shareholders, they are required to build and maintain significant holdings of shares in GSK over time. Executive Directors are required to continue to satisfy these share ownership requirements for a minimum of 12 months after leaving GSK.

Share ownership vs SOR (multiples of base salary)



● SOR ● 31 December 2018 shareholding

(1) Dr Hal Barron was appointed to the Board on 1 January 2018, at which point he had a shareholding of 1,644 GSK ADS.

Payments for loss of office (audited)

No loss of office payments were made in 2018.

Termination arrangements for CFO

As announced in 2018, Simon Dingemans will leave the Board in May 2019. As Simon Dingemans is a voluntary leaver, he will not receive any severance payment when he leaves the company. Salary, bonus and outstanding incentive awards will be treated in accordance with the shareholder approved 2017 Remuneration policy.

Full disclosure of all payments made upon cessation will be included in the 2019 Annual report on remuneration.

Remuneration element	Summary of treatment
Annual bonus	Will not receive any bonus for 2019.
PSP and DABP	Will not be granted PSP awards in 2019, but 50% of his 2018 bonus will be deferred into DABP.
Outstanding PSP and DABP matching awards	Any awards not vested prior to Simon Dingemans' departure will lapse when he leaves GSK.
DABP deferred bonus awards	Awards for bonuses deferred in respect of 2018 and prior years will vest at the normal vesting dates.

Payments to past Directors (audited)

As set out in our 2016 Annual Report, Sir Andrew Witty and Dr Moncef Slaoui left the Board on 31 March 2017 by mutual agreement.

In accordance with the Remuneration policy, approved by shareholders in 2014, their 2015 PSP awards and 2015 DABP awards vested following the one-year anniversary of their termination dates in 2018 under the terms of the Executive Financial Recoupment Policy.

Dr Moncef Slaoui					Sir Andrew Witty				
	Number of ADS awarded	% vested in July 2018	ADS price \$	Equating to \$		Number of shares awarded	% vested in April 2018	Share price £	Equating to £
2015 PSP	108,725	69	40.85	4,441,444	2015 PSP	357,352	69	14.21	5,077,972
2015 DABP	9,937	69	40.85	405,929	2015 DABP	25,122	69	14.21	356,984

Other benefits: the grossed up cost of the post employment financial planning provided following his leaving the company was \$45,809.

In addition to the above, Simon Dingemans will be required to maintain a shareholding equal to his share ownership requirement for at least 12 months after leaving the company.

Remuneration arrangements for CFO Designate

Iain Mackay joined GSK as Chief Financial Officer Designate on 14 January 2019, and is an Executive Director. A summary of his remuneration is set out below:

		Notes
Base salary	£850,000	The comparator group for pay for the CFO position is the UK cross-industry comparator group.
Annual bonus	£850,000	The on-target bonus would be 100% with a maximum of 200% as for the outgoing CFO.
Award of LTIs	£1,700,000	This assumes an expected value of 50% of an award of performance shares under the company's 2017 Performance Share Plan at a 4x multiple of base salary as for the outgoing CFO.
Share Ownership Requirement (SOR)	300% of base salary	This is in line with GSK's 2017 Remuneration policy.
Pension	20% of base salary and matching contributions	Pension is in line with GSK's 2017 Remuneration policy.
Benefits		Benefits will be in line with GSK's 2017 Remuneration policy.

There were no buy-out arrangements.

Other benefits: the grossed up cost of the post employment financial planning and home security following his leaving the company was £23,184.

Annual report on remuneration continued

Remuneration governance

Role of the Committee

The role of the Committee is to set the company's remuneration policy so that GSK is able to recruit, retain and motivate its executives.

The Remuneration policy is regularly reviewed to ensure that it is consistent with the company's scale and scope of operations, supports the business strategy and growth plans and helps drive the creation of shareholder value.

Terms of reference

The Committee's full terms of reference are available on the company's website. The terms of reference are reviewed at least annually and were last revised in January 2019 to reflect best practice, particularly in respect of the new UK Corporate Governance Code.

Governance

The Board considers all of the members of the Committee to be independent Non-Executive Directors in accordance with the UK Corporate Governance Code.

Membership

The members of the Committee, together with their appointment dates, are set out below:

Committee members	Committee member since
Urs Rohner Chair	1 January 2015 (Chair since 7 May 2015)
Vindi Banga	1 January 2016
Dr Vivienne Cox	1 January 2017
Judy Lewent	1 January 2013

Committee meetings usually include a closed session, during which only members of the Committee are present. Other individuals may also be invited to attend Committee meetings during the year. Executives and other Committee attendees are not involved in any decisions, and are not present at any discussions, regarding their own remuneration.

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 the Committee include:

Committee attendees

Attendee	Regular attendee	Attends as required
CEO		✓
CFO		✓
Head of Human Resources		✓
Head of Reward	✓	
Committee Adviser (PwC)		✓

Judy Lewent and Vindi Banga, as members of the Audit & Risk and Remuneration Committees, provide input on the Audit & Risk Committee's review of the Group's performance and oversight of any risk factors relevant to remuneration decisions.

Adviser to the Committee

The company undertook a full commercial tender process during 2018 and appointed PricewaterhouseCoopers LLP (PwC) as independent adviser to the Committee with effect from 6 September 2018. PwC replaced Willis Towers Watson LLP (WTW) who served as independent adviser for the first part of 2018. Both PwC and WTW are members of the Remuneration Consultants' Group and, as such, voluntarily operate under the code of conduct in relation to executive remuneration consulting in the UK. The code of conduct can be found at www.remunerationconsultantsgroup.com.

PwC resigned as the Group's statutory auditor after GSK's 2017 Annual Report was signed in March 2018 and provided other consulting and assurance services during the time they have been the Committee's independent advisers. WTW provided additional market data to the Committee and also provided other HR consulting services to the company prior to PwC's appointment. In line with the protocols agreed and set by the Committee Chair under which PwC and WTW provided their advice, the Committee is satisfied that such advice has been objective and independent.

During their respective tenures in 2018, PwC and WTW have provided independent commentary on matters under consideration by the Committee and updates on market practice and legislative requirements. PwC's and WTW's fees for advice during that period, which were charged on a time and materials basis, were £51,250 and \$144,880 respectively. The Committee is satisfied that this did not compromise either firm's independence.

Committee evaluation

The Committee's annual evaluation was 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 to the Committee's work, it was agreed that the Committee will examine the philosophy underpinning the remuneration policy framework when reviewing our policy for approval at the 2020 AGM.

Remuneration governance continued

What the Committee did during 2018

Areas of Committee focus	Items discussed
<p>Remuneration policy The Committee sets the broad structure for the Remuneration policy and determines the remuneration of the Executive Directors, the Chairman and other corporate officers for Board approval.</p>	<ul style="list-style-type: none"> – Remuneration impact of 2018 major Group restructuring – Engagement with shareholders – Employee consultation on setting policy and pay
<p>Salary review The Committee periodically reviews and considers the remuneration environment of Executive Directors and CET, approving annual adjustments as necessary.</p>	<ul style="list-style-type: none"> – Remuneration environment (including wider employee trends) – Executive Director and CET benchmarking, competitiveness and GSK comparator groups – Executive Director and CET salary recommendations and increases for 2019 – Setting remuneration for Iain Mackay
<p>Annual bonus The Committee is responsible for setting specific performance measures for the Annual bonus.</p>	<ul style="list-style-type: none"> – CEO, Executive Director and CET 2017 bonus recommendations and 2018 bonus objectives
<p>LTI plans The Committee is responsible for approving LTI plan rule changes, grants, assessments of performance, and the vesting of LTI awards for the Executive Directors, CET and below.</p>	<ul style="list-style-type: none"> – LTI performance outcomes and vesting of LTI awards for CET and below – LTI grants for CET and below
<p>Governance and other areas of focus The Committee adheres to a robust remuneration governance framework, ensuring alignment between internal actions and external reporting/compliance requirements.</p>	<ul style="list-style-type: none"> – Committee evaluation process – 2017 Remuneration report – Remuneration considerations and committee programme for 2018 – AGM and Remuneration report feedback, the external remuneration environment and performance target disclosure for incentive plans – Chairman's fees – 2018 Remuneration report disclosures, including CEO pay ratio – Remuneration Committee external adviser tender process – Gender pay gap reporting – Recruitment policy briefing

Annual report on remuneration continued

2018 Non-Executive Directors' fees

Chairman and other Non-Executive Directors

The company aims to provide the Chairman and other Non-Executive Directors with fees that are competitive with those paid by other companies of equivalent size and complexity, subject to the limits contained in GSK's Articles of Association.

Chairman's fees

The Chairman, Philip Hampton, is paid a fee of £700,000 per annum, of which he has elected to take 25% in GSK shares. The Chairman's fees were reviewed during the year but were not changed.

Non-Executive Directors' fees

Non-Executive Director fees were reviewed during the year following the last increase in January 2013 and it was decided not to make any change at this time. A minimum of 25% of fees will continue to be delivered as shares or ADS deferred until the Non-Executive Director steps down from the Board.

The Non-Executive Directors' fees that applied during 2018 are set out in the table below:

	Per annum
Standard annual fee	£85,000
Supplemental fees	
Chair of the Audit & Risk Committee	£80,000
Senior Independent Director	£30,000
Scientific/Medical Experts	
Chairs of the Remuneration, Corporate Responsibility and Science Committees	
Non-Executive Director undertaking intercontinental travel to meetings	£7,500 per meeting

The audited table below sets out the value of fees and benefits received by the Non-Executive Directors in the form of cash and shares or ADS. Further details of the Non-Executive Directors' share allocation plan are set out on page 113. Non-Executive Directors' fees that are paid in a currency other than Sterling are converted using an average exchange rate that is reviewed from time to time. Benefits comprise the grossed up cash value of travel and subsistence costs incurred in the normal course of business, in relation to attendance at Board and Committee meetings. For overseas-based Directors, this includes travel to meetings in the UK.

Non-Executive Directors' emoluments (000) (audited)	2018				2017			
	Fixed fees			Total pay	Fixed fees			Total pay
	Cash	Shares/ADS	Benefits		Cash	Shares/ADS	Benefits	
Vindi Banga	£65	£50	£3	£118	–	£123	£8	£131
Dr Vivienne Cox	£64	£21	£11	£96	£69	£23	£14	£106
Lynn Elsenhans ⁽¹⁾	\$56	\$175	\$90	\$321	£15	£137	£70	£222
Dr Laurie Glimcher	–	\$231	\$73	\$304	–	\$69	\$32	\$101
Dr Jesse Goodman	\$208	\$69	\$115	\$392	\$216	\$72	\$140	\$428
Philip Hampton	£525	£175	£19	£719	£525	£175	£20	£720
Judy Lewent	\$230	\$77	\$130	\$437	\$239	\$80	\$157	\$476
Urs Rohner	£86	£29	£23	£138	£92	£31	£16	£139
Former directors:								
Professor Sir Roy Anderson ⁽²⁾	£39	£7	£18	£64	£92	£31	£9	£132
Sir Deryck Maughan ⁽³⁾	–	–	£5	£5	–	–	–	–
Dr Daniel Podolsky ⁽³⁾	–	–	£7	£7	–	–	–	–
Hans Wijers ⁽⁴⁾	–	–	£8	£8	–	–	£6	£6

(1) Lynn Elsenhans elected to receive her Non-Executive Director fees in USD in 2018.

(2) Professor Sir Roy Anderson retired from the Board on 3 May 2018.

(3) Dr Daniel Podolsky and Sir Deryck Maughan retired from the Board on 5 May 2016.

(4) Hans Wijers retired from the Board on 7 May 2015.

Directors' interests in shares (audited)

The interests of the Directors of the company in office during 2018 and their persons closely associated (PCA) are shown in the tables below.

	Total directors' interests as at			Total share plan interests as at 31 December 2018 or date of retirement					
				Shares/ADS		Options			
	1 March 2019	31 December 2018 or date of leaving	1 January 2018	(a) Unvested and not subject to performance	Unvested and subject to performance	(a) Unvested and not subject to performance	Unvested and subject to performance	Vested but not exercised	Exercised in the year
Executive Directors									
Shares									
Emma Walmsley ^(a,b,c,d,e,f)	416,292	281,726	147,665	–	1,073,823	129,348	67,255	137,040	21,096
Simon Dingemans ^(a,b,c,d,e,f)	734,039	540,663	329,298	161,231	711,292	118,238	74,368	266	29,465
Sir Patrick Vallance ^(a,b,c,d,f)		404,201	303,733	–	539,829	98,955	55,844	–	34,344
ADS									
Dr Hal Barron ^(a,c,e)	38,764	1,644	1,644	–	242,727	–	–	–	–

	Total directors' interests as at			Share allocation plan for Non-Executive Directors					
				Number of shares or ADS					
	1 March 2019	31 December 2018 or date of leaving	1 January 2018 or date of appointment	Dividends reinvested after year end	31 December 2018	Paid out	Dividends reinvested during the year	Allocated & elected	31 December 2017
Non-Executive Directors									
Shares^(g)									
Professor Sir Roy Anderson ^(h)	–	32,152	29,306	–	–	32,152	1,785	1,061	29,306
Vindi Banga	58,326	56,753	50,802	1,091	21,553	–	779	5,172	15,602
Dr Vivienne Cox	3,857	3,352	1,804	150	3,352	–	75	1,473	1,804
Philip Hampton	56,208	51,157	37,398	2,125	44,239	–	1,631	12,128	30,480
Urs Rohner	8,748	7,785	5,591	382	7,885	–	301	1,993	5,591
ADS^(g)									
Lynn Elsenhans	33,134	30,587	24,398	1,497	29,587	–	1,225	4,964	23,398
Dr Laurie Glimcher	7,562	5,961	350	202	5,961	–	5	5,606	350
Dr Jesse Goodman	5,167	4,538	2,610	206	4,538	–	89	1,839	2,610
Judy Lewent	25,459	24,271	21,630	718	14,105	–	609	2,033	11,463

a) Unvested options not subject to performance of 129,348 for Emma Walmsley represent bonus deferrals of 128,604 and Share Save options of 744.

Unvested shares not subject to performance of 161,231 for Simon Dingemans represent 100% of the shares awarded at the end of the three-year performance period for the 2015 PSP grant, together with subsequent re-invested dividends. These shares are subject to a further two-year holding period. Unvested options not subject to performance of 118,238 for Mr Dingemans represent bonus deferrals of 117,782 and Share Save options of 456.

Unvested options not subject to performance of 98,955 for Sir Patrick Vallance represent bonus deferrals.

b) Total Directors' interests includes shares purchased through the GlaxoSmithKline Share Reward Plan. During 2018, Emma Walmsley and Simon Dingemans were each awarded 103 shares under the plan. The total number of shares held within the plan are as follows:

Share Reward Plan (Shares)	1 March 2019	31 December 2018	1 January 2018
Emma Walmsley	1,546	1,496	1,219
Simon Dingemans	1,999	1,943	1,642
Sir Patrick Vallance	–	–	3,263

Dr Hal Barron is a US employee and is not eligible to participate in the Share Reward Plan, as this is only open to UK employees.

Annual report on remuneration continued

Directors' interests in shares (audited) continued

- c) Total directors' interests includes options over shares or ADS resulting from the deferral of bonus (and the subsequent re-investment of dividends) under the DABP. The totals shown in the table below include bonus deferrals, but exclude any unvested matching awards which are subject to ongoing performance criteria. The amounts represent the gross share and ADS balances prior to the sale of any shares or ADS to satisfy tax liabilities.

Deferred Annual Bonus Plan (Bonus deferrals)		1 March 2019	31 December 2018 or date of retirement	1 January 2018
Emma Walmsley	Shares	159,409	128,604	75,959
Simon Dingemans	Shares	120,406	117,782	87,575
Dr Hal Barron	ADS	37,120	–	–
Sir Patrick Vallance	Shares	–	98,955	75,092

- d) Total directors' interests at 1 March 2019 includes any shares or ADS which vested due to performance being met under elements of the DABP and PSP (2016-2018 awards), less those sold to satisfy tax liabilities on the vested amounts (see pages 115 to 118 for further details).

e) **Share Save Plan**

For Emma Walmsley and Simon Dingemans the unvested options not subject to performance include holdings of 744 and 456 respectively in the Share Save Plan, in which Ms Walmsley and Mr Dingemans participate on the same terms as all other employees. Ms Walmsley was granted 744 options under the plan on 29 November 2018.

- f) The following table sets out details of options (all nil-cost options under the DABP) exercised during 2018 by Executive Directors.

Type of award	Date of grant	Number of shares under option	Date of exercise	Grant price	Market price at exercise	Gain on exercise (000)
Emma Walmsley						
DABP – deferral	11.02.15	12,482	16.02.18	–	£13.16	£164
DABP – matching	11.02.15	8,614	16.02.18	–	£13.16	£113
		21,096				£277
Simon Dingemans						
DABP – deferral	11.02.15	17,435	16.02.18	–	£13.12	£229
DABP – matching	11.02.15	12,030	16.02.18	–	£13.12	£158
		29,465				£387
Sir Patrick Vallance						
DABP – deferral	11.02.15	20,322	19.02.18	–	£13.18	£268
DABP – matching	11.02.15	14,022	19.02.18	–	£13.18	£185
		34,344				£453

In respect of nil-cost options under the DABP, the bonus which is deferred by the Director is recorded as remuneration (under Annual bonus) for the year to which it relates. The gain recorded on exercise of the nil-cost option comprises this remuneration, the total of the amounts received in re-invested dividends prior to vesting and the gains or losses resulting from movements in the share price between the dates of grant and exercise for the initial bonus amount deferred and the dates of dividend reinvestment and exercise for the re-invested dividends.

For the matching element of the DABP, the remuneration of the Executive Director is recorded in the year that the performance period ends and represents the number of vested shares multiplied by the price at vesting. The gain recorded on exercise of the nil-cost option comprises the total of this remuneration and the gain or loss resulting from the movement in the share price between vesting and exercise.

Directors' interests in shares (audited) continued

For Emma Walmsley:

- The gain of £164,263 recorded following the exercise of the 12,482 nil-cost options relating to the deferral of bonus earned in respect of 2014 comprises remuneration of £159,715 recorded in 2014 as Annual bonus and a net gain of £4,548 relating to the re-investment of dividends prior to vesting and movements in the share price between grant and dividend re-investment dates and the exercise date.
- The gain of £113,360 recorded following the exercise of the 8,614 nil-cost options relating to the DABP matching award comprises remuneration of £111,982 recorded in 2017 in relation to the DABP (see table below) and an investment gain of £1,378 relating to the movement in the share price between the vesting and exercise dates.

For Simon Dingemans:

- The gain of £228,747 recorded following the exercise of the 17,435 nil-cost options relating to the deferral of bonus earned in respect of 2014 comprises remuneration of £223,065 recorded in 2014 as Annual bonus and a net gain of £5,682 relating to the re-investment of dividends prior to vesting and movements in the share price between grant and dividend re-investment dates and the exercise date.
- The gain of £157,833 recorded following the exercise of the 12,030 nil-cost options relating to the DABP matching award comprises remuneration of £156,390 recorded in 2017 in relation to the DABP (see page 116) and an investment gain of £1,444 relating to the movement in the share price between the vesting and exercise dates.

For Sir Patrick Vallance:

- The gain of £267,844 recorded following the exercise of the 20,322 nil-cost options relating to the deferral of bonus earned in respect of 2014 comprises remuneration of £260,015 recorded in 2014 as Annual bonus and a net gain of £7,829 relating to the re-investment of dividends prior to vesting and movements in the share price between grant and dividend re-investment dates and the exercise date.
- The gain of £184,810 recorded following the exercise of the 14,022 nil-cost options relating to the DABP matching award comprises remuneration of £182,286 recorded in 2017 in relation to the DABP (see page 116) and an investment gain of £2,524 relating to the movement in the share price between the vesting and exercise dates.

- g) For Non-Executive Directors, total interests include shares or ADS received as part or all of their fees under the Non-Executive Directors' Share Allocation Plan. Note that dividends received on shares or ADS under the plan during 2018 and January 2019 were converted into shares or ADS as at 6 February 2019.
- h) Professor Sir Roy Anderson retired from the Board on 3 May 2018.

Deferred Annual Bonus Plan matching awards

The following tables provide details for each Executive Director in office during 2018 in respect of DABP matching awards. Market price at grant and at vesting represent the closing share prices from the business day prior to those dates.

Emma Walmsley – Shares	Performance period		
	2015-2017	2016-2018	2017-2019
Market price at grant	£15.20	£13.59	£15.77
Unvested at 31 December 2017	12,306	30,474	33,179
Dividends reinvested	176	1,724	1,878
Vested	(8,614)	–	–
Lapsed	(3,868)	–	–
Unvested at 31 December 2018	–	32,198	35,057
Dividends reinvested	–	398	432
Vested	–	(19,234)	–
Lapsed	–	(13,362)	–
Unvested at 1 March 2019	–	–	35,489
Vested shares			
Number of shares	8,614	19,234	
Market price at vesting	£13.00	£15.66	
Gain:	(000)	(000)	
Remuneration for 2017	£112	–	
Remuneration for 2018	–	£301	

Annual report on remuneration continued

Directors' interests in shares (audited) continued

Deferred Annual Bonus Plan matching awards continued

Simon Dingemans – Shares	Performance period		
	2015-2017	2016-2018	2017-2019
Market price at grant	£15.20	£13.59	£15.77
Unvested at 31 December 2017	17,188	40,244	30,143
Dividends reinvested	245	2,276	1,705
Vested	(12,030)	–	–
Lapsed	(5,403)	–	–
Unvested at 31 December 2018	–	42,520	31,848
Dividends reinvested		524	392
Vested		(25,398)	–
Lapsed		(17,646)	–
Unvested at 1 March 2019		–	32,240
Vested shares			
Number of shares	12,030	25,398	
Market price at vesting	£13.00	£15.66	
Gain:	(000)	(000)	
Remuneration for 2017	£156	–	
Remuneration for 2018	–	£398	

Sir Patrick Vallance – Shares	Performance period		
	2015-2017	2016-2018	2017-2019
Market price at grant	£15.20	£13.59	£15.77
Unvested at 31 December 2017	20,035	32,590	22,468
Dividends reinvested	286	997	687
Vested	(14,022)	–	–
Lapsed	(6,299)	(33,587)	(23,155)
Unvested at 31 December 2018	–	–	–
Dividends reinvested			
Vested			
Lapsed			
Unvested at 1 March 2019	–	–	–
Vested shares			
Number of shares	14,022	–	
Market price at vesting	£13.00	–	
Gain:	(000)	(000)	
Remuneration for 2017	£182	–	
Remuneration for 2018	–	–	

Directors' interests in shares (audited) continued

Performance Share Plan awards

The following tables provide details for each Executive Director in office during 2018 in respect of PSP awards. Market price at grant and at vesting represent the closing share prices on those dates.

Emma Walmsley – Shares	Performance period					
	2015-2017	2015-2017	2016-2018	2017-2019	2018-2020	2019-2021
Market price at grant	£15.20	£14.01	£13.59	£15.46	£12.91	£15.12
Unvested at 31 December 2017	130,642	67,715	223,024	361,379	–	–
Granted	–	–	–	–	437,997	–
Face value at grant (000)	–	–	–	–	£5,655	–
Dividends reinvested	1,865	967	12,639	20,479	18,305	–
Vested	(91,430)	(47,391)	–	–	–	–
Lapsed	(41,077)	(21,291)	–	–	–	–
Unvested at 31 December 2018	–	–	235,663	381,858	456,302	–
Dividends reinvested	–	–	2,915	4,723	5,645	–
Vested	–	–	(140,762)	–	–	–
Lapsed	–	–	(97,816)	–	–	–
Unvested at 1 March 2019	–	–	–	386,581	461,947	–
Granted	–	–	–	–	–	404,592
Face value at grant (000)	–	–	–	–	–	£6,117
Unvested at 8 March 2019	–	–	–	386,581	461,947	404,592
Vested shares						
Number of shares	91,430	47,391	140,762			
Market price at vesting	£13.00	£13.00	£15.66			
Gain:	(000)	(000)	(000)	Total		
Remuneration for 2017	£1,189	£616	–	£1,805		
Remuneration for 2018	–	–	£2,204	£2,204		

Simon Dingemans – Shares	Performance period			
	2015-2017	2016-2018	2017-2019	2018-2020
Market price at grant	£15.20	£13.59	£15.46	£12.91
Unvested at 31 December 2017	221,136	239,499	197,574	–
Granted	–	–	–	239,442
Face value at grant (000)	–	–	–	£3,091
Dividends reinvested	3,158	13,573	11,197	10,007
Vested	(154,763)	–	–	–
Lapsed	(69,531)	–	–	–
Unvested at 31 December 2018	–	253,072	208,771	249,449
Granted	–	–	–	–
Face value at grant (000)	–	–	–	–
Dividends reinvested	–	3,130	2,582	3,086
Vested	–	(151,161)	–	–
Lapsed	–	(105,041)	–	–
Unvested at 1 March 2019	–	–	211,353	252,535
Vested shares				
Number of shares	154,763	151,161		
Market price at vesting	£13.00	£15.66		
Gain:	(000)	(000)		
Remuneration for 2017	£2,012	–		
Remuneration for 2018	–	£2,367		

Annual report on remuneration continued

Directors' interests in shares (audited) continued

Performance Share Plan awards continued

Sir Patrick Vallance – Shares	Performance period		
	2015-2017	2016-2018	2017-2019
Market price at grant	£15.20	£13.59	£15.46
Unvested at 31 December 2017	224,309	276,745	255,484
Granted	–	–	–
Dividends reinvested	3,203	8,468	7,817
Vested	(156,984)	–	–
Lapsed	(70,528)	(285,213)	(263,301)
Unvested at 31 December 2018	–	–	–
Vested shares:			
Number of shares	156,984		
Market price at vesting	£13.00		
Gain:	(000)		
Remuneration for 2017	£2,041		

Iain Mackay was appointed to the Board from 14 January 2019. The following table provides details of PSP awards granted to him on 11 March 2019:

Iain Mackay – Shares	Performance period
	2019-2021
Market price at grant	£15.12
Number of shares	225,255
Face value at grant (000)	£3,406
Unvested at 8 March 2019	225,255

Dr Hal Barron – ADS	Performance period	
	2018-2020	2019-2021
Market price at grant	\$36.46	\$40.12
Unvested at 31 December 2017	–	–
Granted	233,132	–
Face value at grant (000)	\$8,500	–
Dividends reinvested	9,595	–
Unvested at 31 December 2018	242,727	–
Dividends reinvested	2,953	–
Unvested at 1 March 2019	245,680	–
Granted	–	217,161
Face value at grant (000)	–	\$8,172
Unvested at 8 March 2019	245,680	217,161

Directors and Senior Management

Further information is provided on compensation and interests of Directors and Senior Management as a group (the group). For this purpose, the group is defined as the Non-Executive and Executive Directors, other members of the CET and the Company Secretary. For the financial year 2018, the following table sets out aggregate remuneration for the group for the periods during which they served in that capacity.

Remuneration for 2018	(£)
Total compensation paid	29,142,577
Aggregate increase in accrued pension benefits (net of inflation)	906,937
Aggregate payments to defined contribution schemes	363,756

During 2018, members of the group were awarded shares and ADS under the company's various executive share plans, as set out in the table below. To align the interests of Senior Management with those of shareholders, Directors and Senior Management are required to build and maintain significant holdings of shares in GSK over time. CET members are required to hold shares to an equivalent multiple of two times base salary, and are required to continue to satisfy these share ownership requirements for a minimum of 12 months after leaving GSK.

Awarded during 2018	Awards		Dividend reinvestment awards	
	Shares	ADS	Shares	ADS
Deferred Annual Bonus Plan	–	–	19,804	1,827
Performance Share Plan	2,002,494	438,542	229,872	37,819
Deferred Investment Awards ^{(a) (b)}	101,327	6,320	6,600	673
Share Value Plan ^(b)	11,060	–	–	–

At 1 March 2019, the group and their PCAs had the following interests in shares and ADS of the company. Interests awarded under the various executive share plans are described in Note 43 to the financial statements, 'Employee share schemes' on page 212.

Interests at 1 March 2019	Shares	ADS
Owned	1,382,607	141,889
Unexercised options	149,382	7,670
Deferred Annual Bonus Plan	646,472	81,555
Performance Share Plan	3,359,591	562,043
Deferred Investment Awards ^{(a) (b)}	120,454	13,021
Share Value Plan ^(b)	36,200	6,320

(a) Notional shares and ADS.

(b) Executive Directors are not eligible to receive Deferred Investment Awards or participate in the Share Value Plan.

2017 Remuneration policy summary

Executive Director Remuneration policy

The following is a summary of this policy.

<p>Salary To provide a core reward for the role. Set at a level appropriate to secure and retain high calibre individuals needed to deliver the Group's strategic priorities.</p>		
<p>Operation Individual's role, experience and performance and independently sourced data for relevant comparator groups considered when determining salary levels.</p>	<p>Opportunity There is no formal maximum limit and, ordinarily, salary increases will be broadly in line with the average increases for the wider GSK workforce. However, increases may be higher to reflect a change in the scope of the individual's role, responsibilities or experience. Salary adjustments may also reflect wider market conditions in the geography in which the individual operates. Details of current salary levels are set out in the Annual report on remuneration on pages 99 and 108.</p>	<p>Performance measures The overall performance of the individual is a key consideration when determining salary increases.</p>
<p>Benefits Levels are set to recruit and retain high calibre individuals to execute the business strategy.</p>		
<p>Operation Executive Directors are generally eligible to receive benefits in line with the policy for other employees which may vary by location. These include travel allowances (including spouse/partner travel), healthcare, life assurance/death in service (where not provided as part of the individual's pension arrangements), personal financial advice and contractual post-retirement benefits.</p>	<p>Opportunity There is no formal maximum limit as benefits costs can fluctuate depending on changes in provider cost and individual circumstances. Details of current benefits and costs are set out in the Annual report on remuneration on page 99.</p>	<p>Performance measures None.</p>
<p>Pension Pension arrangements provide a competitive level of retirement income.</p>		
<p>Operation Pension arrangements are structured in accordance with the plans operated in the country in which the individual is likely to retire. Where the individual chooses not to become a member of the pension plan, cash in lieu of the relevant pension contribution is paid instead. New Executive Directors in the UK will be entitled either to join the defined contribution pension plan or to receive a cash payment in lieu of pension contribution. Where an individual is a member of a GSK legacy defined benefit plan, a defined contribution plan or an alternative pension plan arrangement and is subsequently appointed to the Board, he or she may remain a member of that plan.</p>	<p>Opportunity The policy for all current Executive Directors and new external recruits is: UK:</p> <ul style="list-style-type: none"> – 20% of salary contribution to defined contribution plan and further 5% in matched contributions subject to any relevant cap and in line with implementation principles for other members of the plan; or – 20% of salary cash payment in lieu of pension contribution. <p>US: Eligible for the same benefits as other US senior executives:</p> <ul style="list-style-type: none"> – Cash Balance Pension Plan and Supplemental Cash Balance Pension Plan, including Executive Pension Credit, provide maximum contribution of 38% of base salary across all pension plans. – GSK 401(k) plan (formerly the US Retirement Savings Plan) and the Executive Supplemental Savings Plan with core contributions of 2% of salary and bonus and matched contributions of 4% of salary and bonus. 	<p>Performance measures None.</p>
<p>Annual bonus To incentivise and recognise execution of the business strategy on an annual basis. Rewards the achievement of stretching annual financial and strategic business targets and delivery of personal objectives.</p>		
<p>Operation Financial, operational and business targets are set at the start of the year by the Committee and bonus levels are determined by the Committee based on performance against those targets. Individual objectives are set at the start of the year by the Committee and performance against objectives is assessed by the Committee. Executive Directors are required to defer 50% of any bonus earned into shares, or ADS as appropriate, for three years. Deferred shares vest at the end of the three years.</p>	<p>Opportunity The maximum bonus opportunity for Executive Directors is 200% of salary. For threshold performance, the bonus pay-out will be nil. For target performance, the bonus payout will be 50% of the maximum opportunity.</p>	<p>Performance measures Based on a combination of financial targets and individual/strategic performance objectives, with the majority of the bonus assessed against the financial measures. The weighting between different measures will be determined each year according to business priorities.</p>

Executive Director Remuneration policy continued

LTI awards To incentivise and recognise delivery of the longer term business priorities, financial growth and increases in shareholder value compared to other pharmaceutical companies. To provide alignment with shareholder interests, a retention element, to encourage long-term shareholding and discourage excessive risk taking.

PSP

Operation

Conditional awards are made annually with vesting dependent on the achievement of performance conditions over three years and are subject to an additional two-year holding period.

The Committee may adjust the formulaic vesting outcome (either up or down) to ensure that the overall outcome reflects underlying business performance over the vesting period.

Opportunity

The normal maximum award limits that may be granted under the PSP to an individual in any one year are set out in the table below:

	% of salary
CEO	650
CFO	400
Other Executive Directors	500

Performance measures

Based on a combination of financial, share price related and strategic performance conditions which are aligned to the company's strategic plan. Up to 30% of awards will vest at threshold performance.

DABP (current)

Operation

For bonus payments from 2018 onwards, Executive Directors are required to defer 50% of any bonus earned into shares for three years.

Opportunity

These deferred shares were matched up to a maximum of 1:1 subject to the achievement of performance conditions over three years. Matching awards were conditional shares or nil-cost options and eligible for dividend equivalents.

Performance measures

Outstanding matching awards are subject to the same measures as awards made under the PSP in any given year.

DABP (legacy, pre 2018)

Operation

For bonus payments until 2017, Executive Directors were required to defer 25% of any bonus earned into shares for three years. They could also voluntarily defer up to an additional 25% of any bonus earned.

Share Ownership Requirements (SOR)

To align the interests of Executive Directors with those of shareholders, they are required to build and maintain significant holdings of shares in GSK over time. The SOR requirement for the CEO is 650% of salary, and the SOR requirement for other Executive Directors is 300% of salary.

Executive Directors are required to continue to satisfy these requirements for a minimum of 12 months following retirement from GSK.

Clawback and malus

In the event of a 'triggering event' (e.g. significant misconduct by way of violation of regulation, law, or a significant GSK policy, such as the Code of Conduct), the company will have the ability to claw back up to three years' annual and deferred bonuses as well as vested and unvested LTIs. In addition, if a participant in the new 2017 PSP or DABP, which shareholders approved at the 2017 AGM, is subject to an investigation, then the vesting of their awards may be delayed until the outcome of that investigation.

A separate Recoupment Committee has been established to investigate relevant claims of misconduct. The Recoupment Committee exercises this authority for the wider employee base. It comprises of senior executives with relevant oversight and appropriate experience, including the Senior Vice President, Global Ethics and Compliance, and the Senior Vice President & General Counsel.

In respect of each financial year, the Remuneration Committee will disclose whether it (or the Recoupment Committee) has exercised clawback or malus. Disclosure will only be made when the matter has been subject to public reports of misconduct, where it has been fully resolved, where it is legally permissible to disclose and where it can be made without unduly prejudicing the company and therefore shareholders.

Additionally, where there has been continuity of responsibility between initiation of an adverse event and its emergence as a problem, the adverse event should be taken into account in assessing annual bonus awards and LTI vesting levels in the year the problem is identified and for future periods. The Remuneration Committee (or Recoupment Committee) may make appropriate adjustments to individual annual bonuses as well as grant and vesting levels of LTI awards to reflect this.

2017 Remuneration policy summary continued

Scenarios for future total remuneration

The charts opposite provide illustrations of the future total remuneration for each of the Executive Directors in respect of the remuneration opportunity granted to each of them in 2019 under the policy. A range of potential outcomes is provided for each Executive Director and the underlying assumptions are set out below.

All scenarios:

- 2019 base salary has been used.
- 2018 benefits and pension figures have been used for the CEO, CFO and the Chief Scientific Officer and President, R&D, i.e. based on actual amounts received in 2018 in respect of the ongoing policy. As the CFO Designate was not in role during 2018, the benefits value for this role is based on the value of benefits for the CFO in 2018 and on the pension arrangements to apply in 2019.
- The amounts shown under value of PSP awards are based on the relevant multiples for 2019. They do not include amounts in respect of dividends reinvested and do not factor in changes to share price over the vesting period.

Fixed:

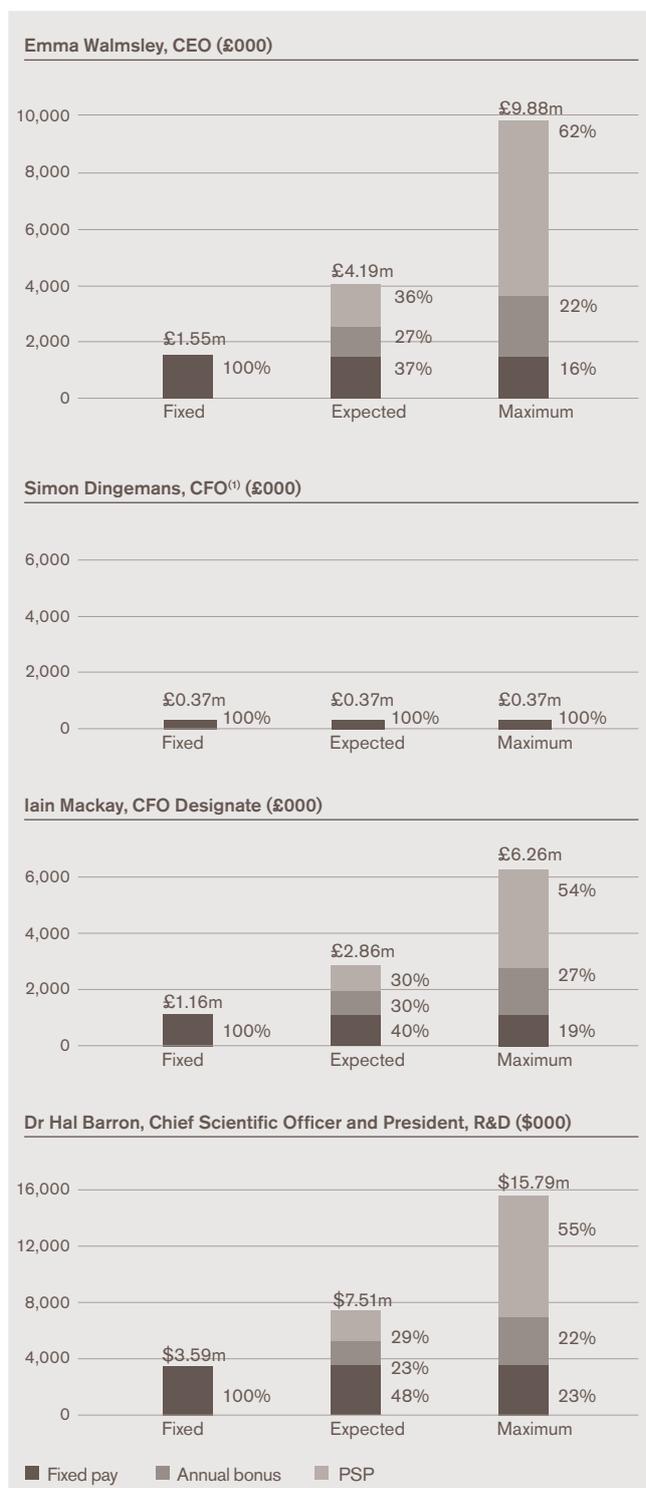
- None of the pay for performance (Annual bonus and PSP) would be payable.

Expected:

- For the Annual bonus, it is assumed that target performance is achieved.
- For the PSP awards, threshold levels of vesting are assumed.

Maximum:

- It is assumed that the Annual bonus would be payable at the maximum level and that the awards under the PSP would vest in full.



(1) CFO will leave GSK in May 2019 and is not eligible for bonus or a PSP award for 2019. The figures represent his actual remuneration for January through 8 May 2019.

Non-Executive Director Remuneration policy

The company's Remuneration policy for Non-Executive Directors, set out below, was approved on 4 May 2017 at GSK's Annual General Meeting.

Chairman's fees	To provide an inclusive flat rate fee that is competitive with those paid by other companies of equivalent size and complexity subject to the limits contained in GSK's Articles of Association.	Performance measures None
Operation	The Committee is responsible for evaluating and making recommendations to the Board on the fees payable to the Chairman. The Chairman does not participate in discussions in respect of his fees. Fees can be paid in a combination of cash and/or GSK shares or ADS via the Non-Executive Directors' Share Allocation Plan.	Opportunity
	There is no formal maximum. However, fees are reviewed annually and set by reference to a review of the Chairman's performance and independently sourced market data. Details of current fees are set out in the Annual report on remuneration on page 112.	
Basic fees	As above	Performance measures None
Operation	The Chairman and CEO are responsible for evaluating and making recommendations to the Board on the fees payable to the company's Non-Executive Directors. A minimum of 25% is delivered in the form of GSK shares or ADS, using the Non-Executive Directors' Share Allocation Plan which delivers the shares or ADS to the Non-Executive Director following retirement from the Board.	Opportunity
	As with the Chairman, fees are reviewed annually and set by reference to independently sourced data. Details of current fees are set out in the Annual report on remuneration on page 112.	
Supplemental fees	To compensate Non-Executive Directors (other than the Chairman) for taking on additional Board responsibilities or undertaking intercontinental travel.	Performance measures None
Operation	Additional fees for Committee Chairmen, the Senior Independent Non-Executive Director, Science and Medical Experts and intercontinental travel.	Opportunity
	Details of supplemental fees are set out in the Annual report on remuneration on page 112.	
Benefits	To facilitate execution of responsibilities and duties required by the role.	Performance measures None
Operation	Travel and subsistence costs for Non-Executive Directors are incurred in the normal course of business in relation to meetings on Board and Committee matters and other GSK-hosted events. For overseas-based Non-Executive Directors, this includes travel to meetings in the UK. In the event it is necessary for business purposes, whilst not normal practice, Non-Executive Directors may be accompanied by their spouse or partner to these meetings or events. The costs associated with the above are all met by the company and, in some instances, they are deemed to be taxable and therefore treated as benefits for the Non-Executive Director.	Opportunity
	There is no formal maximum limit as benefit costs can fluctuate depending on changes in provider costs and individual circumstances. Details of current benefits and costs are set out in the Annual report on remuneration on page 112.	

2017 Remuneration policy summary continued

Operation and scope of Remuneration policy

The Remuneration policy (Policy) is set out on pages 138 to 146 of the 2016 Annual Report and it is intended that the Policy for GSK's Executive and Non-Executive Directors will operate for a period of three years from the date of approval at the company's Annual General Meeting on 4 May 2017.

The Committee wrote the Policy principally in relation to the remuneration arrangements for the Executive Directors, whilst taking into account the possible recruitment of a replacement or an additional Executive Director during the operation of the Policy. The Committee intends the Policy to operate for the period set out above in its entirety. However, it may after due consideration seek to change the Policy during this period, but only if it believes it is appropriate to do so for the long-term success of the company, after consultation with shareholders and having sought shareholder approval at a general meeting.

The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the Policy where the terms of the payment were agreed:

(i) before the AGM on 7 May 2014 (the date the company's first shareholder-approved Directors' remuneration policy came into effect);

(ii) before the Policy came into effect, provided that the terms of the payment were consistent with the shareholder-approved Remuneration policy in force at the time they were agreed; or

(iii) at a time when the relevant individual was not a Director of the company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the company. For these purposes 'payments' includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares or ADS, the terms of the payment are 'agreed' at the time the award is granted.

Performance Share Plan and Deferred Annual Bonus Plan awards are subject to the terms of the relevant plan rules under which the award has been granted. The Committee may adjust or amend awards only in accordance with the provisions of the plan rules. This includes making adjustments to reflect one-off corporate events, such as a change in the company's capital structure.

The Committee may also make minor amendments to the Policy (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval for such amendments.

Statement of consideration of shareholder views

The Committee engages in regular dialogue with shareholders and holds annual meetings with GSK's largest investors to discuss and take feedback on its Remuneration policy and governance matters.

Basis of preparation

The Annual report on remuneration has been prepared in accordance with the Companies Act 2006 and The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the Regulations). In accordance with the Regulations, the following parts of the Annual report on remuneration are subject to audit: total remuneration figures for Executive Directors including further details for each element of remuneration (salary, benefits, pension, annual bonus and long-term incentive awards); Non-Executive Directors' fees and emoluments received in the year; Directors' interests in shares, including interests in GSK share plans; payments to past Directors; payments for loss of office; and share ownership requirements and holdings, for which the opinion thereon is expressed on page 137. The remaining sections of the Annual report on remuneration are not subject to audit nor are the pages referred to from within the audited sections.

The Annual report on remuneration has been approved by the Board of Directors and signed on its behalf by:

Urs Rohner
Remuneration Committee Chairman

11 March 2019