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Remuneration

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Remuneration report

Chairman's annual statement



The decisions which the Remuneration Committee has taken this year have been aligned with our Remuneration policy, which received overwhelming shareholder support at our AGM in 2017.

Dear Shareholder

On behalf of the Board, I am pleased to present to you our Remuneration report for 2017. This includes my annual statement, our Annual report on remuneration and a summary of our Remuneration policy which was approved at our AGM in 2017, with 95.2% of shareholders voting in favour.

The Annual report on remuneration and this annual statement will be subject to an advisory vote at our AGM on 3 May 2018.

Context for Executive remuneration at GSK

2017 has seen GSK perform well. Sales grew across each of our three businesses – Pharmaceuticals, Vaccines and Consumer Healthcare – with continued good momentum in our new products, driven by strong performances from *Tivicay* and *Triumeq* in HIV, the inhaled *Ellipta* portfolio and *Nucala* in Respiratory and meningitis vaccines. We have also seen three key approvals: *Shingrix* vaccine for shingles; *Trelegy Ellipta*, a once-daily single inhaler triple therapy for COPD; and *Juluca* (dolutegravir and rilpivirine), the first 2-drug regimen, once-daily, single pill for HIV. GSK has demonstrated continued cost controls throughout the year and improved free cash flow. We also achieved earnings growth and delivered Adjusted EPS growth in line with our guidance. Total EPS also increased. Finally, returns to shareholders through the dividend were in line with expectations.

Remuneration outcomes for 2017

All awards in relation to 2017 were made in accordance with the approved Remuneration policy. The key decisions made by the Remuneration Committee (the Committee) were as follows:

- The bonus outcomes for the Executive Directors were determined by reference to performance against the pre-agreed financial measure, as well as the Committee's assessment of their individual levels of performance. GSK achieved performance in excess of the relevant financial target for the year. In conjunction with assessment of individual performance, this has resulted in bonus payments being made above target, but below maximum opportunities. Further details of the bonus outcomes for the year are provided on page 120.
- Vesting of the 2015 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 2017. The threshold levels for the TSR and cash flow measures were exceeded, and the maximum level was achieved for the R&D new products measure, resulting in an overall vesting level of 69%. Further details of the vesting outcome for the 2015 PSP and DABP matching awards are provided on page 122.

2018 Remuneration

The Committee reviewed the Executive Director salaries for 2018. Both Emma Walmsley's and Simon Dingemans' salaries increased from 1 January 2018 by 2.5%, in line with increases for the broader employee population. It remains the Committee's intention to keep Ms Walmsley's package under review in coming years subject to her development and performance in the role.

Board changes

In November 2017, Dr Patrick Vallance announced that he would leave the company to become the UK Government's Chief Scientific Adviser and Head of the Government's Office for Science. Dr Vallance is a voluntary leaver and therefore will not receive any severance payment when he leaves the company at the end of March 2018. Dr Vallance will continue to receive his base salary, set in 2017, until he leaves GSK. He was also eligible to receive a bonus for 2017 based on a combination of business and individual performance. He will not receive any bonus for the portion of 2018 for which he is 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 2018.

In November 2017, we announced the appointment of Dr Hal Barron to the role of Chief Scientific Officer and President, R&D from 1 January 2018. Dr Barron is one of the world's foremost R&D leaders and has spent most of his career working in the USA. Dr Barron's package is fully in line with the Remuneration policy approved by shareholders in 2017. His base salary is \$1.7 million and his incentive opportunities are in line with the approved Remuneration policy. In aggregate, his total compensation is within the competitive range seen among our global pharmaceutical peer group. No "buy-out" awards were made.

Sir Andrew Witty stepped down as CEO and retired from GSK by mutual agreement in March 2017 and Dr Moncef Slaoui stepped down from the Board in March and retired from GSK by mutual agreement in June 2017. The agreed termination arrangements in both cases were set out in last year's report. In both cases, the arrangements were executed in line with the approach described last year and, accordingly, this year's Remuneration report provides further details of the final amounts paid.

Looking ahead

The R&D new products measure for our LTI plans was implemented to recognise the importance of R&D to future business growth. It will continue to be relevant for our LTI performance through 2020. It rewards not only the performance of our R&D organisation but also successful commercialisation. While launch excellence remains important, the Committee considers that there are other means to incentivise commercial success across the Group. The Committee will therefore be working during 2018 to design a new LTI measure based on the R&D pipeline which will replace the R&D new products measure from the 2019 LTI awards. We look forward to sharing more details of the new Innovation measure as this year progresses.

Governance developments

The Committee has taken a close interest in legislative and best practice developments around Director pay policy and supports initiatives that raise the bar in this area.

As a modern employer, the company takes its responsibilities under the new gender pay regulations very seriously. The Committee and the Corporate Responsibility Committee were interested to review the preparation of the company's gender pay disclosures set out on page 49.

The UK Government has announced a package of measures on executive pay, including secondary legislation requiring publication of pay ratios between companies' CEOs and the average of their UK employees. The Committee supports these further enhancements in transparency for shareholders and other interested stakeholders and will include this information in our report once the methodology for calculating the ratio is finalised in new regulations.

The Financial Reporting Council (FRC) has recently consulted on broadening the role of remuneration committees and other proposed measures on pay, as part of its wide-ranging review of the UK Corporate Governance Code (the revised Code). The Committee has included its views on these matters in the company's response to the consultation on the revised Code.

The Committee has reviewed its current practices against the Government and FRC's measures and is well-placed to comply with them. I look forward to providing an update on these issues in next year's report.

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 3 May 2018.

Urs Rohner
Remuneration Committee Chairman

12 March 2018

Annual report on remuneration

2017 at a glance

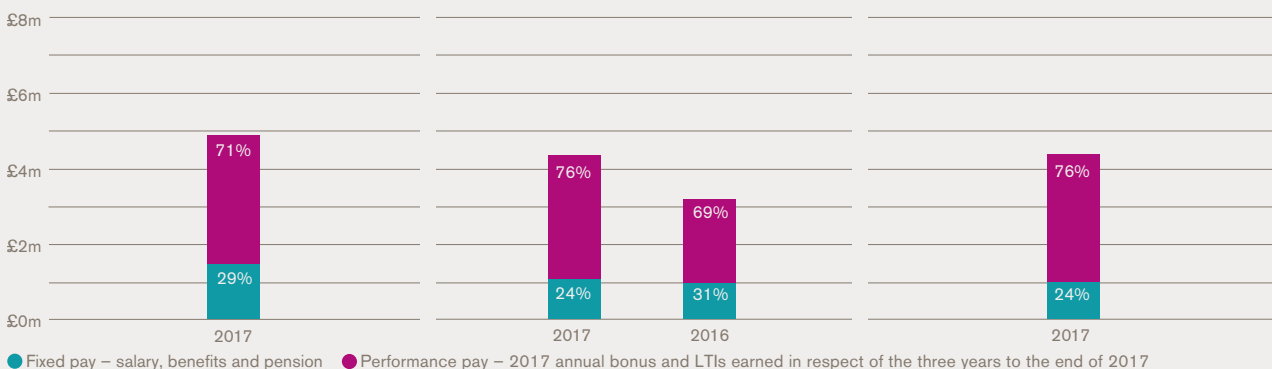
2017 highlights summary

The following shows a breakdown of total remuneration paid to Executive Directors in office at 31 December 2017, in respect of 2017 and 2016

Emma Walmsley, CEO⁽¹⁾

Simon Dingemans, CFO

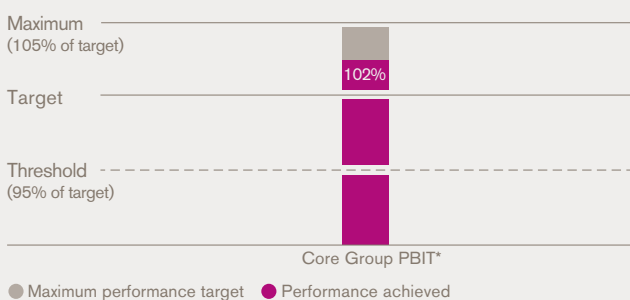
Dr Patrick Vallance, Outgoing President, R&D⁽¹⁾



(1) Emma Walmsley and Dr Patrick Vallance were both appointed to the Board on 1 January 2017.

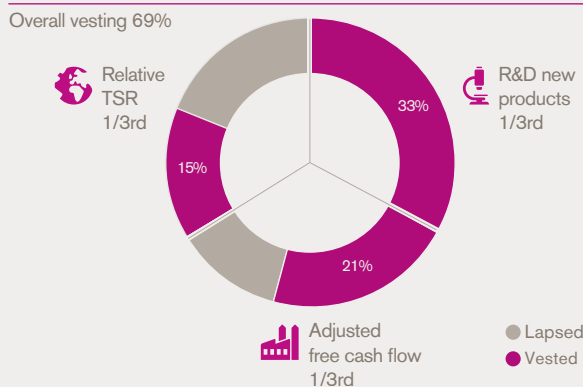
Pay for performance

2017 Annual bonus: financial performance



* Now called Adjusted Group PBIT.

2015 LTI outcome – performance period ended 31 December 2017

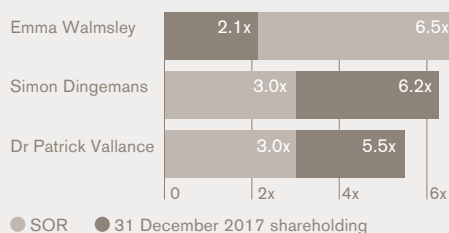


Executive Directors' shareholdings (audited)

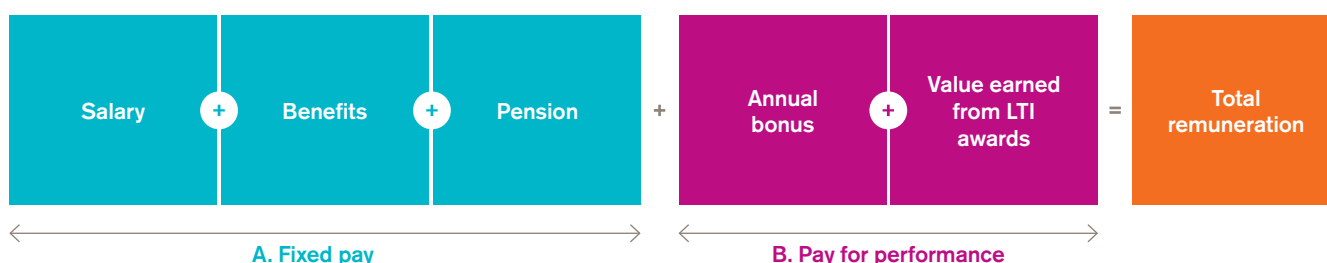
To align the interests of Executive Directors with those of shareholders, they are required to build and maintain significant holdings of shares in GSK over time. Executive Directors are required to continue to satisfy these share ownership requirements (SOR) for a minimum of 12 months after leaving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

Executive Directors and CET	Multiple of base salary
CEO	6.5
Other Executive Directors	3
Other Corporate Executive Team members	2

Share ownership vs SOR (multiples of base salary)



Total remuneration for 2017 (audited)



The total remuneration for 2017 for each Executive Director is set out in the table below:

	Emma Walmsley, ⁽¹⁾ CEO		Sir Andrew Witty, ⁽¹⁾⁽⁶⁾ (Former CEO)		Simon Dingemans, ⁽⁷⁾ CFO		Dr Patrick Vallance, Outgoing President, R&D		Dr Moncef Slaoui, ⁽⁵⁾ (Former Chairman, Global Vaccines)	
	2017 £000	2016 £000	Jan-Mar 2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000	Jan-Mar 2017 \$000	2016 \$000
A. Fixed pay										
Salary > See page 118	965	–	279	1,115	754	736	780	–	311	1,242
Benefits > See page 118	266	–	92	124	142	92	102	–	232	495
Pension > See page 119	195	–	–	520	151	147	156	–	101	875
Other ⁽⁶⁾	–	–	344	–	–	–	–	–	260	–
Total fixed pay	1,426	–	715	1,759	1,047	975	1,038	–	904	2,612
B. Pay for performance										
2017 Annual bonus ⁽³⁾ > See pages 120 and 121	1,540	–	–	2,167	1,090	915	1,127	–	–	1,726
Vesting of LTI awards:										
DABP matching awards ⁽⁴⁾	112	–	–	361	156	119	182	–	–	293
PSP ⁽⁴⁾ > See page 122	1,805	–	–	2,543	2,012	1,119	2,041	–	–	1,812
Total pay for performance	3,457	–	–	5,071	3,258	2,153	3,350	–	–	3,831
A+B = Total remuneration	4,883	–	715	6,830	4,305	3,128	4,388	–	904	6,443

Notes:

- (1) Emma Walmsley was appointed to the Board with effect from 1 January 2017, and succeeded Sir Andrew Witty as CEO on 1 April 2017. Sir Andrew stepped down as CEO, and retired from the Board, on 31 March 2017.
- (2) Emma Walmsley's salary as CEO Designate between 1 January and 31 March 2017 was £850,000. Ms Walmsley's salary then increased from 1 April 2017 to £1,003,000 when she succeeded Sir Andrew Witty as CEO.
- (3) Details of Deferred Annual Bonus Plan (DABP) (bonus deferrals) are set out on page 129. From 2017, no matching awards will be made under the DABP.
- (4) 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 2017 are provided on page 122.
- (5) The PSP and DABP awards for Sir Andrew Witty and Dr Moncef Slaoui granted in 2015 have not yet vested. These awards will vest following the one-year anniversary of their termination in accordance with the terms of the Executive Financial Recoupment Policy. For Sir Andrew, awards will vest after 31 March 2018 and for Dr Slaoui, after 30 June 2018. In addition to this delayed vesting, the PSP awards for both have a two-year holding period from the point of normal vesting.
- (6) As disclosed in the 2016 Annual Report on page 136, Sir Andrew Witty and Dr Moncef Slaoui 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 those terms, Sir Andrew and Dr Slaoui received payments pro-rated for the proportion of the financial year worked in lieu of performance related bonus payments. The pro-rated amounts paid for the three months to 31 March 2017 were £343,520 and \$260,340 respectively.
- (7) Simon Dingemans' vested PSP shares will be subject to a two-year holding period.
- (8) 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 2017 in respect of any of the Executive Directors.

Annual report on remuneration continued

Total remuneration for 2017 (audited) continued

The following sections provide details of each element of 'Total remuneration', including how the Committee implemented the approved Remuneration policy in 2017.

Comparator groups for pay and TSR

The Committee used two pay comparator groups for all roles when considering executive pay for 2017. 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 Patrick Vallance	France	US
Simon Dingemans	BHP Billiton	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 2017 were aligned with those provided to the wider workforce. Details of salary levels for 2018 are provided on page 140.

	% change	Base salary	
		2017	2016
Emma Walmsley (1 January to 31 March)	n/a	£850,000	–
Emma Walmsley (1 April to 31 December)	n/a	£1,003,000	–
Sir Andrew Witty	0%	£1,114,500	£1,114,500
Simon Dingemans	2.5%	£754,000	£735,600
Dr Patrick Vallance	n/a	£780,000	–
Dr Moncef Slaoui	0%	\$1,242,100	\$1,242,100

Benefits

The table opposite shows a breakdown of the grossed up cash value of the benefits received by the Executive Directors in 2017 and 2016 which included:

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

	2017 benefits £000	2016 benefits £000
Emma Walmsley		
Employee benefits	60	–
Travel	146	–
Other benefits	60	–
Total	266	–
Sir Andrew Witty		
Employee benefits	18	63
Travel	6	23
Other benefits	68	38
Total	92	124
Simon Dingemans		
Employee benefits	53	30
Travel	64	38
Other benefits	25	24
Total	142	92
Dr Patrick Vallance		
Employee benefits	48	–
Travel	46	–
Other benefits	8	–
Total	102	–
Dr Moncef Slaoui		
Employee benefits	\$000	\$000
Travel	85	158
Other benefits ⁽¹⁾	10	34
Total	137	303
Total	232	495

(1) For Dr Moncef Slaoui, other benefits include UK accommodation of \$57,578 in 2017 (2016 – \$247,875).

Fixed pay (audited) continued

Pensions

Executive Director	Pension plan type	Member since
Emma Walmsley	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⁾ .	2010
Sir Andrew Witty	UK defined benefit	1991
Simon Dingemans	20% of base salary in lieu of pension ⁽³⁾	–
Dr Patrick Vallance	20% of base salary in lieu of pension ⁽³⁾	–
Dr Moncef Slaoui	US and Belgian plans ⁽⁴⁾	1988

- (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 Dr Patrick Vallance receive a cash payment in lieu of pension of 20% of base salary in line with GSK's defined contribution pension plan rates.
- (4) Since becoming a member of these plans, Dr Moncef Slaoui built up pensionable service in the Belgian Plan, and in the US Cash Balance and Supplemental Pension Plans. Annual employer cash contributions were made to the 401(k) Plan and Executive Supplemental Savings Plan (ESSP). His current pension entitlement is a product of his service and progression within GSK.

The following table shows the breakdown of the pension values set out on page 117.

	Emma Walmsley		Sir Andrew Witty		Simon Dingemans		Dr Patrick Vallance		Dr Moncef Slaoui	
	2017 £000	2016 £000	Jan-Mar 2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000	Jan-Mar 2017 \$000	2016 \$000
Pension remuneration values ⁽¹⁾										
UK defined benefit	–	–	–	520	–	–	–	–	–	–
US defined benefit	–	–	–	–	–	–	–	–	7	742
UK defined contribution	9	–	–	–	–	–	–	–	–	–
Belgian defined benefit ⁽²⁾	–	–	–	–	–	–	–	–	–	10
Employer cash contributions	186	–	–	–	151	147	156	–	94	123
Total pension remuneration value	195	–	–	520	151	147	156	–	101	875

- (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). In calculating the defined benefit pension values for 2017 for Sir Andrew Witty and Dr Slaoui, the difference between the accrued pension as at 31 March 2017 and the accrued pension as at 31 December 2016 increased by inflation (1% for UK defined benefit, 2.2% for US defined benefit, 2.2% for Belgian defined benefit) has been multiplied by 20.
- (2) Amounts have been translated from Euros into US Dollars using an exchange rate of 1.11 for 2016.

Further details regarding the 2017 pension values for defined benefit plan participants are set out in the table below.

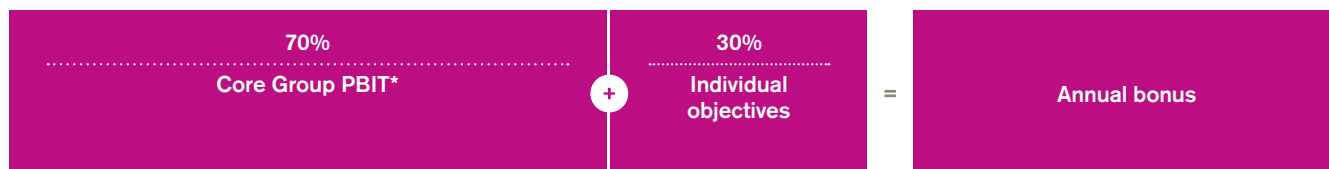
	Accrued pension		Pension remuneration value for 2017 (£000)
	31 March 2017 £ (p.a.)	31 Dec 2016 £ (p.a.)	
Sir Andrew Witty⁽¹⁾			
UK – Funded	72,261	71,591	–
UK – Unfunded	670,739	670,500	–
Total	743,000	742,091	–
	Accrued pension		Pension remuneration value for 2017 (\$000)
	31 March 2017 \$ (p.a.)	31 Dec 2016 \$ (p.a.)	
Dr Moncef Slaoui⁽¹⁾			
US – Funded	15,844	15,434	7
US – Unfunded	427,686	439,393	–
Belgium – Funded ⁽²⁾	105,655	103,230	–
Total	549,185	558,057	7

- (1) The pensions figures are disclosed for both Sir Andrew Witty and for Dr Moncef Slaoui, who are members of defined benefit plans. The table shows the accrued benefit (i.e. the annual pension accrued to date). The pension remuneration in 2017 is calculated as the increase in the accrued benefit, adjusted for inflation and a multiplier (to reflect the fact that the benefit will be received for a number of years). Where a movement is negative in the year, no value is shown.
- (2) Amounts have been translated from Euros into US Dollars using an exchange rate of 1.13 for 2017 and 1.11 for 2016.

Annual report on remuneration continued

Pay for performance (audited)

Annual bonus



* Renamed Adjusted Group PBIT.

2017 performance against targets

For 2017, the financial measures and weightings were as follows:

Performance measure	Weighting	2017 performance			
		Executive Directors	2017 target ⁽¹⁾	Outcome	Positioning against target
Core Group PBIT (now called Adjusted Group PBIT)	70%		£8,126m	£8,322m	102%
Individual objectives	30%				

(1) Threshold and maximum performance targets were set at 95% and 105% of Target respectively.

(2) The Core Group PBIT target and outcome for the purposes of the Annual bonus calculation differs from Core 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 opportunity for 2017:

Bonus	2017 Base salary £	2017 bonus opportunity		Financial performance (% of salary)	Individual objectives (% of salary)	2017 bonus outcome	
		Target (% of salary)	Maximum (% of salary)			Total 2017 bonus (% of salary)	Total 2017 bonus £000
Emma Walmsley	1,003,000			98	55.5	153.5	1,540
Simon Dingemans	754,000	100	200	98	46.5	144.5	1,090
Dr Patrick Vallance	780,000			98	46.5	144.5	1,127

(1) As Sir Andrew Witty and Dr Moncef Slaoui ceased to be Executive Directors during the year, in accordance with the Remuneration policy they received a pro-rata payment for 2017 in lieu of a variable bonus opportunity. The Committee set role specific objectives for them for this period. As the two individuals ceased to be Executive Directors before the 2017 Remuneration policy was approved, the target bonus opportunities were as set out in the policy approved by shareholders in 2014 (i.e. 125% of salary for Sir Andrew and 85% of salary for Dr Slaoui). These contractual payments are shown under Other in the table on page 117.

The table below provides more detail on delivery against the Core Group PBIT target, now called Adjusted Group PBIT:

Financial performance

Core Group PBIT (Adjusted Group PBIT)

- Group turnover was £30.2 billion, an 8% increase AER and 3% CER
- Adjusted operating profit £8,568 million, 5% higher on a CER basis, and 12% higher AER
- The Adjusted operating margin of 28.4% was 0.9 percentage points higher than in 2016 and 0.4 percentage points higher on a CER basis. This reflected improved operating leverage driven by sales growth and a more favourable mix in all three businesses. The margin also benefited from continued tight control of ongoing costs across all three businesses as well as restructuring and integration benefits in the Vaccines and Consumer Healthcare businesses, partly offset by continued pricing pressures, particularly in respiratory, and investments in R&D and the supply chain.

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"> - Successful induction and transition from Sir Andrew Witty. - Delivered a strong overall financial performance for the Group in 2017. - Strong performance from new product sales: £6.7 billion, +51% AER, 44% CER (on track to deliver £6 billion in new product sales on a CER basis by 2018; 2017 sales £5.7 billion at CER). - Building a top Corporate Executive Team with outstanding new hires of new Chief Scientific Officer and President, R&D; President, Global Pharmaceuticals; and Chief Digital & Technology Officer. 40% of top 125 roles are new hires or internal promotions. - Successfully completed strategic review of the Pharmaceuticals business in key areas such as portfolio, footprint, operating model. Implementation ongoing. - Significant pipeline reprioritisation and new R&D portfolio governance process across R&D and commercial. - New 5-year Pharmaceuticals supply chain-strategy to reduce complexity and improve productivity whilst maintaining compliance. - Innovation, Performance and Trust priorities and KPIs defined, communicated and used as basis for all employee objectives and business performance management. - Improving cash and cost discipline, with newly established capital allocation process and integrated business P&L and cash flow management. - New employee expectations and incentive system launched as key enablers of culture change. - Significant improvements in reliability and quality supply for our Pharmaceuticals and Consumer Health businesses. - GSK ranked #1 in Access to Vaccines Index and Anti-Microbial Resistance Benchmark. - 10 per cent improvement in comparable employee engagement score since 2015.
Simon Dingemans	<ul style="list-style-type: none"> - Delivered strong financial leadership for the Group in 2017. - Improved cash flow generation. Improved cash and cost discipline, with newly established capital allocation process and integrated business P&L and cash flow management. - Restructuring and synergy programmes delivered combined benefits of £3.7 billion in 2017 (£3.3 billion at CER). - Developed capital allocation framework to support the strategy, including business development requirements. - Strong support to new CEO. - Appointment of new Chief Digital & Technology Officer.
Dr Patrick Vallance	<ul style="list-style-type: none"> - Strong performance from new product sales: £6.7 billion, +51% AER, 44% CER, including strong performances from <i>Tivicay</i> and <i>Triumeq</i> in HIV, inhaled <i>Ellipta</i> portfolio and <i>Nucala</i> in Respiratory. - Two key approvals from Pharmaceuticals pipeline included: <ul style="list-style-type: none"> - <i>Trelegy Ellipta</i> once daily single inhaler triple therapy for COPD; - <i>Juluca</i> first 2-drug regimen, once-daily, single pill for HIV. - Continued strong delivery by the R&D organisation across the R&D pipeline. - Completed R&D performance review leading to significant pipeline reprioritisation and operational changes in the areas of diagnosis and early implementation. - Strengthened R&D partnership with Commercial Pharmaceuticals. Particular attention paid to pipeline prioritisation.

Malus and clawback policy

For details of our policy on malus/clawback, please refer to the 2017 Remuneration policy report on page 140 of the 2016 Annual Report, available at www.gsk.com in the Investors section.

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 2017.

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.

Annual report on remuneration continued

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 2015 LTI awards, actual performance against targets is reviewed and adjustments made as appropriate to reflect the impact of the Novartis transaction on the business and 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.

2015 awards with a performance period ended 31 December 2017

The Committee reviewed the performance of the PSP and DABP matching awards granted to Executive Directors against the targets set. The performance achieved in the three years to 31 December 2017 and the vesting levels are set out in the table below.

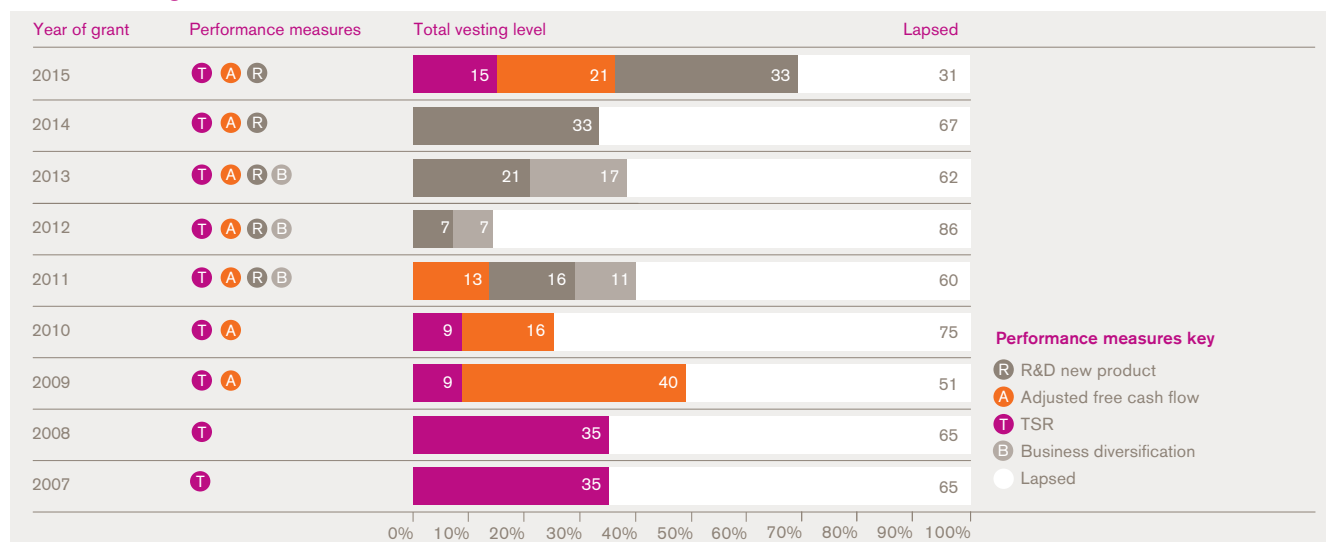
Performance measures and relative weighting	Performance targets	Outcome and vesting level					
		Outcome	% of maximum	% of award			
R&D new product performance (1/3rd) 	R&D new product sales performance measures aggregate three-year sales for new products launched in the three-year performance period and the preceding two years, i.e. 2013-17.			£11.27bn	100	33	
		Original target	Adjusted target				% vesting
	Maximum	£7.58bn	£7.91bn				100%
		£6.89bn	£7.19bn				75%
		£6.54bn	£6.83bn				50%
Threshold	£6.20bn	£6.47bn	25%				
Adjusted free cash flow (AFCF) 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.			£12.47bn	63	21	
		Target ⁽¹⁾	% vesting				
	Maximum	£13.6bn	100%				
		£13.0bn	75%				
		£11.8bn	50%				
Threshold	£11.5bn	25%					
(1) The AFCF target was set and announced following the close of the Novartis transaction in 2015. The target was not adjusted.							
Relative TSR performance (1/3rd) 	TSR ranking within comparator group ⁽¹⁾		% vesting	Ranked 5th	44	15	
	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 2015 awards

69%

Pay for performance (audited) continued

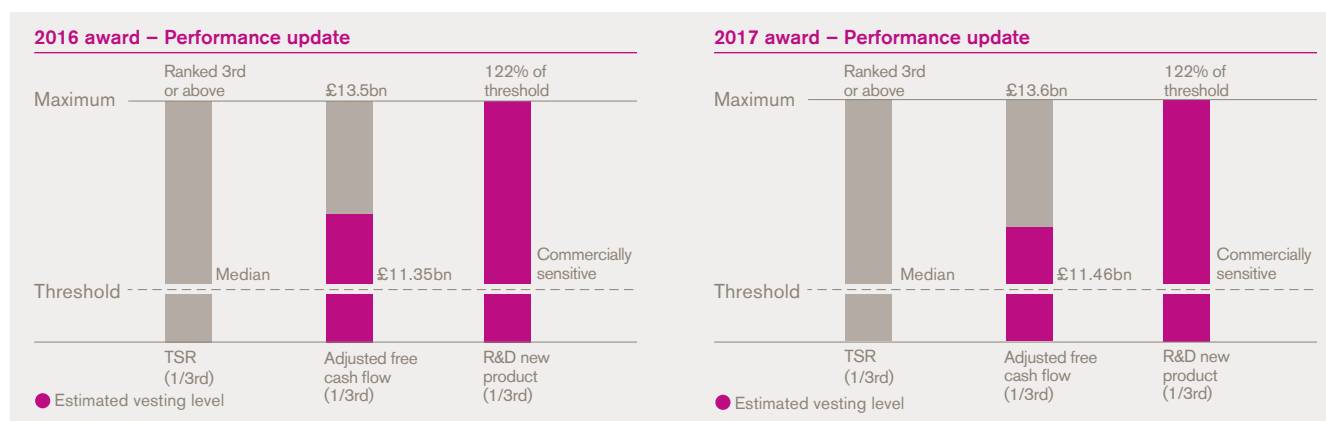
Historical vesting for GSK's LTIs



Update on performance of ongoing LTI awards

The Committee also reviewed the performance of the PSP and DABP matching awards granted to Executive Directors in 2016 and 2017. The following charts provide an estimate of the vesting levels taking into account performance to 31 December 2017.

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.



For threshold performance, 25% of each award will vest in respect of R&D new product and ACF measures and 30% for the TSR element. The TSR comparator group remains unchanged from that shown on page 118 in respect of the 2015 awards.

The adjusted free cash flow target for the 2016 award has been revised to reflect additional investments in key R&D projects and in the Priority Review Voucher for the Juluca launch in the U.S.; please refer to pages 25 and 54 of the Annual Report. The Committee intends to disclose targets in full following the end of the performance period, in the 2018 Annual report on remuneration.

2017 LTI awards

The levels of participation in the DABP in respect of 2016 bonus deferrals are shown in the table below. The table details the last matching award in 2017 showing the maximum vesting potential in respect of 2016 bonuses. The table also shows the PSP award details for 2017.

	DABP matching awards				PSP awards	
	2016 % of total bonus deferred	2017 Number of shares	2017 Face value of award ⁽¹⁾	2017 Award level as % of base salary	2017 Number of shares	2017 Face value of award ⁽²⁾
Emma Walmsley	50%	31,945 shares	£0.504m	550%	356,939 shares	£5.5m
Sir Andrew Witty	25%	–	–	–	–	–
Simon Dingemans	50%	29,022 shares	£0.458m	400%	195,147 shares	£3m
Dr Patrick Vallance	50%	21,632 shares	£0.341m	500%	252,345 shares	£3.9m
Dr Moncef Slaoui	25%	–	–	–	–	–

(1) The face value of the DABP awards have been calculated based on a share price of £15.77, being the closing price on 14 February 2017.

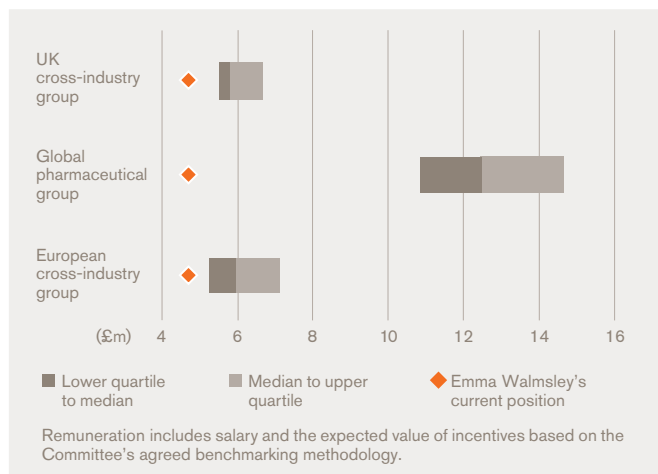
(2) The face value of the PSP awards have been calculated based on a share price of £15.455, being the closing price on 26 July 2017.

(3) The performance period for the 2017 awards is from 1 January 2017 to 31 December 2019.

Annual report on remuneration continued

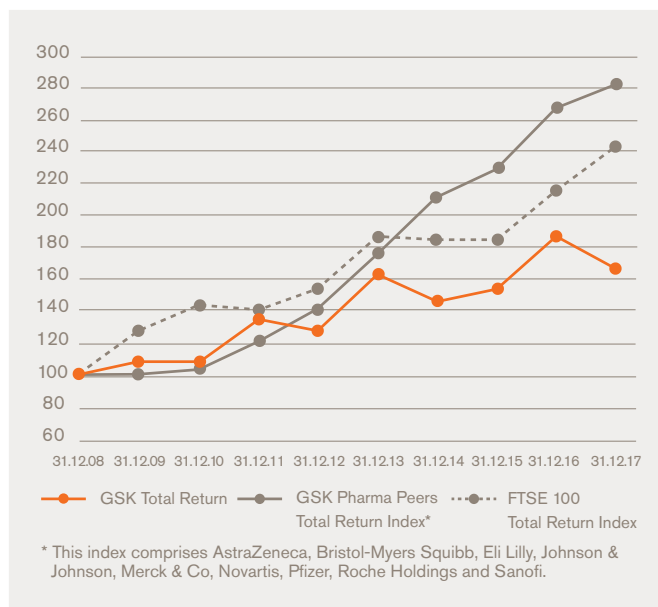
CEO pay comparison

2017 CEO total remuneration positioning



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 nine-year period to 31 December 2017. 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.



Historic CEO remuneration

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

(1) 2009 and 2010 bonus 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.

Percentage change in remuneration of CEO

	GSK CEO		UK Employees	
	2017 £000	2016 £000	% change	% change
CEO	Emma Walmsley	Sir Andrew Witty		
Salary	1,003	1,115	(10)%	2.5%
Benefits	266	124	114%	0%
Annual bonus	1,540	2,167	(29)%	(4)%

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.

CEO ratio

The Committee intends to disclose pay ratios between GSK's CEO and the average of its UK employees in the Annual Report once the methodology for calculating the ratio is finalised by legislation.

Additional remuneration disclosures

Relative importance of spend on pay

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

	2017 £m	2016 £m
Total employee pay	9,122	8,212
Dividends	3,906	4,850

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 174 and 180. However, dividends declared in respect of 2017 were £3,911 million (2016 – £3,897 million) an increase of 0.4%, excluding the special dividend of £969 million declared in 2015 and paid in 2016. The company does not expect to make any ordinary share repurchases in 2018.

Total employee pay is based on 99,349 employees, the average number of people employed during 2017 (2016 – 99,827).

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 Patrick Vallance	19.12.16	01.01.17	31.03.25
Dr Hal Barron	16.12.17	01.01.18	31.12.24

Shareholder votes on remuneration matters

The table below provides details of the shareholder votes for the most recent resolutions in respect of the Annual remuneration and Remuneration policy reports.

2017 AGM	Total votes cast (billion)	Total votes for (%)	Total votes against (%)	Votes withheld (million)
Remuneration report	3.5	96.39	3.61	67
Remuneration policy	3.4	95.23	4.77	66

External appointments for Executive Directors

No Executive Directors held remunerated external appointments during 2017. Dr Hal Barron was a director of Juno Therapeutics, Inc. He retained the fees he received for that role.

Payments to past Directors (audited)

None

Payments for loss of office (audited)

None.

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 2018 to reflect best practice and corporate governance developments.

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 82 to 85. See page 88 for Committee member attendance levels.

Annual report on remuneration continued

Remuneration governance continued

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 (Deloitte/Willis Towers Watson)		✓

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 tender process during 2017 and appointed Willis Towers Watson as independent adviser to the Committee with effect from 1 July 2017. The Committee Chairman agrees the protocols under which Willis Towers Watson provides advice and the Committee is satisfied that such advice has been objective and independent.

Willis Towers Watson is a member of the Remuneration Consultants' Group and, as such, voluntarily operates 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.

Deloitte provided independent commentary on matters under consideration by the Committee and updates on market practice and legislative requirements for part of 2017, prior to Willis Towers Watson's appointment, and their fees for advice during that period were £78,330. Fees were charged on a time and materials basis. Deloitte also provided other consulting, tax and assurance services to GSK during the year. However, the Committee is satisfied that this did not compromise Deloitte's independence.

Willis Towers Watson's fees for advice provided during 2017 were \$64,571. Willis Towers Watson provided additional market data to the Committee.

Committee evaluation

The Committee's annual evaluation was externally facilitated by Ffion Hague of Independent Board Evaluation. It was concluded that the Committee continued to operate effectively. In terms of enhancements to the Committee's work, it was agreed that Board members would be provided with more detailed updates on matters being considered by the Committee.

What the Committee did during 2017

Areas of Committee focus

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.

Salary review

The Committee periodically reviews and considers the remuneration environment of Executive Directors and CET, approving annual amendments as necessary.

Annual bonus

The Committee is responsible for setting specific performance measures for the Annual bonus.

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.

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.

Items discussed

- Proposed Remuneration policy for 2017
- Engagement with shareholders
- Shareholder feedback on proposed Remuneration policy
- 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 2018
- Setting remuneration for Dr Hal Barron
- CEO, Executive Director and CET 2016 bonus recommendations and 2017 bonus objectives
- R&D Annual bonus target metric
- Review of Deferred Annual Bonus Plan and Performance Share Plan rules
- LTI performance outcomes and vesting of LTI awards for CET and below
- LTI grants for CET and below
- Committee evaluation process
- 2016 Remuneration report
- Remuneration considerations for 2017
- AGM and Remuneration report feedback, the external remuneration environment and performance target disclosure for incentives plans
- Chairman's fees
- 2017 Remuneration report disclosures
- Remuneration Committee external adviser tender process
- Gender pay group reporting

2017 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. It was agreed to increase the supplemental fees for the Chairs of the Remuneration and Corporate Responsibility Committees from £20,000 to £30,000 from January 2017. The Chair of the new Science Committee also receives a supplementary fee of £30,000. All other fees remain unchanged. 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 2017 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 128. Non-Executive Directors' fees that are paid in a currency other than GBP are converted using an average exchange rate that is reviewed from time to time.

Non-Executive Directors' emoluments (000) (audited)	2017				2016 ⁽⁵⁾			
	Fixed fees			Total pay	Fixed fees			Total pay
	Cash	Shares/ADS	Benefits		Cash	Shares/ADS	Benefits	
Professor Sir Roy Anderson	£92	£31	£9	£132	£92	£31	£7	£130
Vindi Banga	–	£123	£8	£131	–	£112	£8	£120
Dr Vivienne Cox	£69	£23	£14	£106	£32	£11	£5	£48
Lynn Elsenhans	£15	£137	£70	£222	£14	£128	£44	£186
Dr Laurie Glimcher ⁽¹⁾	–	\$69	\$32	\$101	–	–	–	–
Dr Jesse Goodman	\$216	\$72	\$140	\$428	\$165	\$55	\$187	\$407
Philip Hampton	£525	£175	£20	£720	£525	£175	£13	£713
Judy Lewent	\$239	\$80	\$157	\$476	\$239	\$80	\$177	\$496
Urs Rohner	£92	£31	£16	£139	£84	£28	£21	£133
Former directors:								
Dr Stephanie Burns ⁽²⁾	–	–	–	–	\$51	\$27	\$16	\$94
Stacey Cartwright ⁽³⁾	–	–	£5	£5	£69	£23	£5	£97
Sir Deryck Maughan ⁽²⁾	–	–	–	–	\$28	\$55	\$44	\$127
Dr Daniel Podolsky ⁽²⁾	–	–	–	–	\$56	\$50	\$63	\$169
Jing Ulrich ⁽⁴⁾	–	–	–	–	–	–	£3	£3
Hans Wijers ⁽²⁾	–	–	£6	£6	£32	£5	£7	£44

(1) Dr Laurie Glimcher was appointed to the Board with effect from 1 September 2017.

(2) Dr Stephanie Burns, Sir Deryck Maughan, Dr Daniel Podolsky and Hans Wijers all retired from the Board on 5 May 2016.

(3) Stacey Cartwright retired from the Board on 31 December 2016.

(4) Jing Ulrich retired from the Board on 7 May 2015.

(5) The 2016 figures have been restated to remove the tax gross up on the flights of Non UK-Domiciled Directors for travel to UK Board meetings, reflecting the fact that tax was not due on those flights in the 2016/17 income tax year. At the time of publishing the 2016 Annual Report, it was believed that income tax would be due.

Annual report on remuneration continued

Directors' interests in shares (audited)

The interests of the Directors of the company in office during 2017 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 2017 or date of retirement					
	2 March 2018	31 December 2017 or date of retirement	1 January 2017	Shares/ADS		Options			
				^(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,h)	280,742	147,665	110,588	–	782,759	75,959	75,959	137,040	19,814
Sir Andrew Witty ^(a,b,c,f,h)		1,090,556	1,034,521	90,802	1,007,883	111,859	76,618	–	90,907
Simon Dingemans ^(a,b,c,d,f,h)	525,870	329,298	263,245	–	658,209	88,297	87,575	–	30,169
Dr Patrick Vallance ^(a,b,c,d,f,h)	413,952	303,733	299,677	–	756,538	75,980	75,092	–	35,817
Dr Moncef Slaoui		28,475	28,473	–	–	–	–	–	–
ADS									
Dr Hal Barron ⁽ⁱ⁾	1,644	–	–	–	–	–	–	–	–
Dr Moncef Slaoui ^(a,c,e,g,h)		234,548	295,974	118,557	356,422	–	–	3,300	–

	Total directors' interests as at			Share allocation plan for Non-Executive Directors					
	2 March 2018	31 December 2017 or date of retirement	1 January 2017 or date of appointment	Dividends reinvested after year end		Number of shares or ADS			
				31 December 2017	Paid out	Dividends reinvested during the year	Allocated 31 December & elected	31 December 2016	
Non-Executive Directors									
Shares⁽ⁱ⁾									
Professor Sir Roy Anderson	31,654	29,306	25,499	1,785	29,306	–	1,850	1,957	25,499
Vindi Banga	53,831	50,802	42,705	779	15,602	–	271	7,826	7,505
Dr Vivienne Cox	2,295	1,804	323	75	1,804	–	4	1,477	323
Philip Hampton	42,452	37,398	25,279	1,631	30,480	–	924	11,195	18,361
Urs Rohner	6,455	5,592	3,488	301	5,591	–	187	1,916	3,488
Stacey Cartwright				–	–	9,510	–	–	9,510
ADS⁽ⁱ⁾									
Lynn Elsenhans	27,273	24,399	18,205	1,224	23,398	–	1,177	5,016	17,205
Dr Laurie Glimcher	1,873	350	–	5	350	–	–	350	–
Dr Jesse Goodman	3,236	2,610	–	89	2,610	–	–	2,610	–
Judy Lewent	22,828	21,630	19,052	609	11,463	–	626	1,951	8,886
Dr Daniel Podolsky				–	–	42,020	3,047	–	38,973

a) Unvested options not subject to performance of 75,959 for Emma Walmsley represent bonus deferrals.

Unvested shares not subject to performance of 90,802 for Sir Andrew Witty represent 25% of the shares awarded at the end of the three-year performance periods for the 2013 and 2014 PSP grants, together with subsequent re-invested dividends. These shares are subject to further two-year holding periods. Sir Andrew's unvested options not subject to performance of 111,859 represent bonus deferrals of 110,971 and Share Save options of 888.

Unvested options not subject to performance of 88,297 for Simon Dingemans represent bonus deferrals of 87,575 and Share Save options of 722.

Unvested options not subject to performance of 75,980 for Dr Patrick Vallance represent bonus deferrals of 75,092 and Share Save options of 888.

Unvested ADS not subject to performance of 118,557 for Dr Moncef Slaoui represent bonus deferrals of 46,425, deferrals under the PSP plan of 67,302 and Share Value Plan awards for his PCA of 4,830.

b) Total Directors' interests includes shares purchased through the GlaxoSmithKline Share Reward Plan. During 2017, Emma Walmsley, Simon Dingemans and Dr Patrick Vallance were each awarded 97 shares under the plan. The total number of shares held within the plan are as follows:

Share Reward Plan (Shares)	2 March 2018	31 December 2017	1 January 2017
Emma Walmsley	1,274	1,219	972
Sir Andrew Witty	–	–	3,541
Simon Dingemans	1,703	1,642	1,375
Dr Patrick Vallance	3,348	3,263	2,917

Dr Hal Barron is not and Dr Moncef Slaoui was not eligible to participate in the Share Reward Plan, as this is only open to UK employees.

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)		2 March 2018	31 December 2017 or date of retirement	1 January 2017
Emma Walmsley	Shares	123,451	75,959	55,377
Sir Andrew Witty	Shares		110,971	142,752
Simon Dingemans	Shares	113,066	87,575	76,811
Dr Patrick Vallance	Shares	98,955	75,092	76,601
Dr Moncef Slaoui	ADS		46,425	56,646

- d) Total directors' interests at 2 March 2018 includes any shares or ADS which vested due to performance being met under elements of the DABP and PSP (2015-2017 awards), less those sold to satisfy tax liabilities on the vested amounts (see pages 132 to 137 for further details).
- e) For Dr Moncef Slaoui, total directors' interests includes ADS purchased within the 401(k) Plan and the US Executive Supplemental Savings Plan (ESSP), and ADS awarded to Dr Slaoui's PCA under the Share Value Plan (SVP). The relevant balances are as follows:

Dr Moncef Slaoui (ADS)		2 March 2018	31 March 2017	1 January 2017
US Retirement Savings Plans			18,268	16,452
Share Value Plan			4,830	7,130

As an Executive Director, Dr Slaoui was not eligible to receive awards under the SVP. The SVP awards shown above reflect the holdings of Dr Slaoui's PCA, who is also an employee of GSK. The awards are subject to three-year vesting periods and vesting is contingent on continued employment within GSK. Any gains which arose on vesting are not included in Dr Slaoui's total remuneration figures. Dr Slaoui's total share plan interests also include PSP awards held by his PCA. These awards are subject to performance criteria relevant to employees below the CET.

- f) **Share Save Plan**
For Sir Andrew Witty, Simon Dingemans and Dr Patrick Vallance, the unvested options not subject to performance include holdings of 888, 722 and 888 respectively in the Share Save Plan, in which Sir Andrew participated and Mr Dingemans and Dr Vallance participate on the same terms as all other employees. Mr Dingemans was granted 248 options under the plan on 30 November 2017.
- g) The ADS vested but unexercised options totalling 3,300 for Dr Moncef Slaoui represent the ADS options held by his PCA.

Annual report on remuneration continued

Directors' interests in shares (audited) continued

h) The following table sets out details of options (including nil-cost options under the DABP) exercised during 2017 by Executive Directors. Dr Moncef Slaoui did not exercise any options during the year.

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	12.02.14	14,860	16.02.17	–	£16.35	£243
DABP – matching	12.02.14	4,954	16.02.17	–	£16.35	£81
		19,814				£324
Sir Andrew Witty						
Share Save	29.10.15	419	05.05.17	£10.13	£15.88	£2
DABP – deferral	12.02.14	67,867	16.02.17	–	£16.34	£1,109
DABP – matching	12.02.14	22,621	16.02.17	–	£16.34	£370
		90,907				£1,481
Simon Dingemans						
Share Save	29.10.14	238	01.12.17	£11.31	£12.90	–
DABP – deferral	12.02.14	22,448	16.02.17	–	£16.39	£368
DABP – matching	12.02.14	7,483	16.02.17	–	£16.39	£123
		30,169				£491
Dr Patrick Vallance						
DABP – deferral	12.02.14	26,863	16.02.17	–	£16.36	£440
DABP – matching	12.02.14	8,954	16.02.17	–	£16.36	£146
		35,817				£586

In respect of options under the Share Save Plan, the remuneration receivable by an Executive Director is calculated on the date that the options first vest. The remuneration is the difference between the amount the Executive Director is required to pay to buy the shares and the total value of the shares on the vesting date. If the Executive Director chooses not to exercise the options on the vesting date, any subsequent increase or decrease in the amount realised will be due to movements in the share price between the vesting date and the date of exercise. This increase or decrease in value is the result of an investment decision by the Executive Director and, as such, is not recorded as remuneration.

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.

For Emma Walmsley:

- The gain of £242,961 recorded following the exercise of the 14,860 nil-cost options relating to the deferral of bonus earned in respect of 2013 comprises remuneration of £205,315 recorded in 2013 as Annual bonus and a net gain of £37,646 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 £80,998 recorded following the exercise of the 4,954 nil-cost options relating to the DABP matching award comprises remuneration of £79,016 recorded in 2016 in relation to the DABP (see page 132) and an investment gain of £1,982 relating to the movement in the share price between the vesting and exercise dates.

For Sir Andrew Witty:

- A gain of £2,409 resulted from the exercise of 419 options granted under the Share Save Plan. The number of shares was reduced from 888 to 419 as Sir Andrew retired on 31 March 2017, part of the way through the Share Save contract.
- The gain of £1,108,947 recorded following the exercise of the 67,867 nil-cost options relating to the deferral of bonus earned in respect of 2013 comprises remuneration of £937,500 recorded in 2013 as Annual bonus and a net gain of £171,447 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 £369,521 recorded following the exercise of the 22,621 nil-cost options relating to the DABP matching award comprises remuneration of £360,805 recorded in 2016 in relation to the DABP (see page 132) and an investment gain of £8,716 relating to the movement in the share price between the vesting and exercise dates.

Directors' interests in shares (audited) continued

For Simon Dingemans:

- A gain of £378 resulted from the exercise of 216 options granted under the Share Save Plan.
- The gain of £367,923 recorded following the exercise of the 22,448 nil-cost options relating to the deferral of bonus earned in respect of 2013 comprises remuneration of £310,139 recorded in 2013 as Annual bonus and a net gain of £57,784 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 £122,646 recorded following the exercise of the 7,483 nil-cost options relating to the DABP matching award comprises remuneration of £119,354 recorded in 2016 in relation to the DABP (see page 133) and an investment gain of £3,292 relating to the movement in the share price between the vesting and exercise dates.

For Dr Patrick Vallance:

- The gain of £439,479 recorded following the exercise of the 26,863 nil-cost options relating to the deferral of bonus earned in respect of 2013 comprises remuneration of £371,130 recorded in 2013 as Annual bonus and a net gain of £68,349 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 £146,461 recorded following the exercise of the 8,954 nil-cost options relating to the DABP matching award comprises remuneration of £142,816 recorded in 2016 in relation to the DABP (see page 133) and an investment gain of £3,645 relating to the movement in the share price between the vesting and exercise dates.

- i) Dr Hal Barron was appointed to the Board from 1 January 2018.
- j) 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 2017 and January 2018 were converted into shares or ADS as at 7 February 2018.

Annual report on remuneration continued

Directors' interests in shares (audited) continued

Deferred Annual Bonus Plan matching awards

The following tables provide details for each Executive Director in office during 2017 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			
	2014-2016	2015-2017	2016-2018	2017-2019
Market price at grant	£16.43	£15.20	£13.59	£15.77
Unvested at 31 December 2016	14,682	11,706	28,989	–
Granted	–	–	–	31,945
Face value at grant (000)	–	–	–	£504
Dividends reinvested	178	600	1,485	1,234
Vested	(4,954)	–	–	–
Lapsed	(9,906)	–	–	–
Unvested at 31 December 2017	–	12,306	30,474	33,179
Dividends reinvested	–	176	435	474
Vested	–	(8,614)	–	–
Lapsed	–	(3,868)	–	–
Unvested at 2 March 2018	–	–	30,909	33,653
Vested shares				
Number of shares	4,954	8,614		
Market price at vesting	£15.95	£13.00		
Gain:	(000)	(000)		
Remuneration for 2016	£79	–		
Remuneration for 2017	–	£112		

Sir Andrew Witty – Shares	Performance period		
	2014-2016	2015-2017	2016-2018
Market price at grant	£16.43	£15.20	£13.59
Unvested at 31 December 2016	67,052	33,606	42,094
Dividends reinvested	814	1,721	2,156
Vested	(22,621)	–	–
Lapsed	(45,245)	–	–
Unvested at 31 December 2017	–	35,327	44,250
Dividends reinvested	–	504	632
Unvested at 2 March 2018	–	35,831	44,882
Vested shares			
Number of shares	22,621		
Market price at vesting	£15.95		
Gain:	(000)		
Remuneration for 2016	£361		

Directors' interests in shares (audited) continued

Deferred Annual Bonus Plan matching awards continued

Simon Dingemans – Shares	Performance period			
	2014-2016	2015-2017	2016-2018	2017-2019
Market price at grant	£16.43	£15.20	£13.59	£15.77
Unvested at 31 December 2016	22,179	16,350	38,282	–
Granted	–	–	–	29,022
Face value at grant (000)	–	–	–	£458
Dividends reinvested	269	838	1,961	1,121
Vested	(7,483)	–	–	–
Lapsed	(14,965)	–	–	–
Unvested at 31 December 2017	–	17,188	40,243	30,143
Dividends reinvested	–	245	575	430
Vested	–	(12,030)	–	–
Lapsed	–	(5,403)	–	–
Unvested at 2 March 2018	–	–	40,818	30,573
Vested shares				
Number of shares	7,483	12,030	–	–
Market price at vesting	£15.95	£13.00	–	–
Gain:	(000)	(000)	–	–
Remuneration for 2016	£119	–	–	–
Remuneration for 2017	–	£156	–	–

Dr Patrick Vallance – Shares	Performance period			
	2014-2016	2015-2017	2016-2018	2017-2019
Market price at grant	£16.43	£15.20	£13.59	£15.77
Unvested at 31 December 2016	26,541	19,058	31,002	–
Granted	–	–	–	21,632
Face value at grant (000)	–	–	–	£341
Dividends reinvested	322	976	1,588	836
Vested	(8,954)	–	–	–
Lapsed	(17,909)	–	–	–
Unvested at 31 December 2017	–	20,034	32,590	22,468
Dividends reinvested	–	286	465	321
Vested	–	(14,022)	–	–
Lapsed	–	(6,298)	–	–
Unvested at 2 March 2018	–	–	33,055	22,789
Vested shares				
Number of shares	8,954	14,022	–	–
Market price at vesting	£15.95	£13.00	–	–
Gain:	(000)	(000)	–	–
Remuneration for 2016	£143	–	–	–
Remuneration for 2017	–	£182	–	–

Annual report on remuneration continued

Directors' interests in shares (audited) continued

Deferred Annual Bonus Plan matching awards continued

Dr Moncef Slaoui – ADS	Performance period		
	2014-2016	2015-2017	2016-2018
Market price at grant	\$54.17	\$46.25	\$39.13
Unvested at 31 December 2016	21,394	13,322	21,930
Dividends reinvested	251	662	1,089
Vested	(7,215)	–	–
Lapsed	(14,430)	–	–
Unvested at 31 December 2017	–	13,984	23,019
Dividends reinvested	–	193	318
Unvested at 2 March 2018	–	14,177	23,337

Vested ADS

Number of ADS	7,215
Market price at vesting	\$40.57
Gain:	(000)
Remuneration for 2016	\$293

Directors' interests in shares (audited) continued

Performance Share Plan awards

The following tables provide details for each Executive Director in office during 2017 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					
	2014-2016	2015-2017	2015-2017	2016-2018	2017-2019	2018-2020
Market price at grant	£16.43	£15.20	£14.01	£13.59	£15.46	£12.91
Unvested at 31 December 2016	121,203	124,275	64,415	212,155	–	–
Granted	–	–	–	–	356,939	–
Face value at grant (000)	–	–	–	–	5,518	–
Dividends reinvested	1,471	6,367	3,300	10,869	4,440	–
Vested	(40,888)	–	–	–	–	–
Lapsed	(81,786)	–	–	–	–	–
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	3,185	5,160	–
Vested	–	(91,430)	(47,391)	–	–	–
Lapsed	–	(41,077)	(21,291)	–	–	–
Unvested at 2 March 2018	–	–	–	226,209	366,539	437,997
Vested shares:						
Number of shares	40,888	91,430	47,391			
Market price at vesting	£16.17	£13.00	£13.00			
Gain:	(000)	(000)	(000)	Total		
Remuneration for 2016	£661	–	–	£661		
Remuneration for 2017	–	£1,189	£616	£1,805		

Sir Andrew Witty – Shares	Performance period		
	2014-2016	2015-2017	2016-2018
Market price at grant	£16.43	£15.20	£13.59
Unvested at 31 December 2016	466,222	478,034	517,767
Dividends reinvested	5,656	24,492	26,527
Vested	(157,279)	–	–
Lapsed	(314,599)	–	–
Unvested at 31 December 2017	–	502,526	544,294
Dividends reinvested	–	7,175	7,772
Unvested at 2 March 2018	–	509,701	552,066
Vested shares:			
Number of shares	157,279		
Market price at vesting	£16.17		
Gain:	(000)		
Remuneration for 2016	£2,543		

Annual report on remuneration continued

Directors' interests in shares (audited) continued

Performance Share Plan awards continued

Simon Dingemans – Shares	Performance period				
	2014-2016	2015-2017	2016-2018	2017-2019	2018-2020
Market price at grant	£16.43	£15.20	£13.59	£15.46	£12.91
Unvested at 31 December 2016	205,161	210,358	227,827	–	–
Granted	–	–	–	195,147	–
Face value at grant (000)	–	–	–	£3,017	–
Dividends reinvested	2,489	10,778	11,672	2,427	–
Vested	(69,210)	–	–	–	–
Lapsed	(138,440)	–	–	–	–
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	3,420	2,821	–
Vested	–	(154,763)	–	–	–
Lapsed	–	(69,531)	–	–	–
Unvested at 2 March 2018	–	–	242,919	200,395	239,442

Vested shares:

Number of shares	69,210	154,763
Market price at vesting	£16.17	£13.00
Gain:	(000)	(000)
Remuneration for 2016	£1,119	–
Remuneration for 2017	–	£2,012

Dr Patrick Vallance – Shares	Performance period			
	2014-2016	2015-2017	2016-2018	2017-2019
Market price at grant	£16.53	£15.20	£13.59	£15.46
Unvested at 31 December 2016	208,105	213,377	263,258	–
Granted	–	–	–	252,345
Face value at grant (000)	–	–	–	£3,901
Dividends reinvested	2,525	10,932	13,488	3,139
Vested	(70,203)	–	–	–
Lapsed	(140,427)	–	–	–
Unvested at 31 December 2017	–	224,309	276,746	255,484
Dividends reinvested	–	3,203	3,952	3,648
Vested	–	(156,984)	–	–
Lapsed	–	(70,528)	–	–
Unvested at 2 March 2018	–	–	280,698	259,132

Vested shares:

Number of shares	70,203	156,984
Market price at vesting	£16.17	£13.00
Gain:	(000)	(000)
Remuneration for 2016	£1,135	–
Remuneration for 2017	–	£2,041

Directors' interests in shares (audited) continued

Performance Share Plan awards continued

Dr Moncef Slaoui – ADS	Performance period		
	2014-2016	2015-2017	2016-2018
Market price at grant	\$54.17	\$46.25	\$39.13
Unvested at 31 December 2016	131,350	145,747	166,901
Dividends reinvested	1,539	7,239	8,290
Vested	(44,292)	–	–
Lapsed	(88,597)	–	–
Unvested at 31 December 2017	–	152,986	175,191
Dividends reinvested	–	2,115	2,421
Unvested at 2 March 2018	–	155,101	177,612
Vested ADS			
Number of ADS	44,292		
Market price at vesting	\$40.92		
Gain:	(000)		
Remuneration for 2016	\$1,812		
Remuneration for 2017	–		

Dr Hal Barron was appointed to the Board from 1 January 2018. The following table provides details of PSP awards granted to him on 14 February 2018:

Dr Hal Barron – Granted ADS	Performance period
	2018-2020
Number of ADS	233,132
Market price at grant	\$36.46
Face value at grant (000)	\$8,500
Unvested at 2 March 2018	233,132

Annual report on remuneration continued

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 2017, the following table sets out aggregate remuneration for the group for the periods during which they served in that capacity.

Remuneration for 2017	(£)
Total compensation paid	26,230,342
Aggregate increase in accrued pension benefits (net of inflation)	1,048,611
Aggregate payments to defined contribution schemes	397,722

During 2017, members of the group (and one PCA who is also an employee of GSK) were awarded shares and ADS under the company's various executive share plans, as set out in the table below.

Awarded during 2017	Awards		Dividend reinvestment awards	
	Shares	ADS	Shares	ADS
Deferred Annual Bonus Plan	206,177	21,220	25,978	2,675
Performance Share Plan	1,322,859	225,442	179,820	24,792
Deferred Investment Awards ^(a) ^(b)	–	–	5,674	1,306
Share Value Plan ^(b)	11,060	–	–	–

At 2 March 2018, 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 225.

Interests at 2 March 2018	Shares	ADS
Owned	1,396,375	273,511
Unexercised options	164,680	12,270
Deferred Annual Bonus Plan	978,751	93,450
Performance Share Plan	4,772,105	816,020
Deferred Investment Awards ^(a) ^(b)	143,018	6,322
Share Value Plan ^(b)	30,699	20,206

(a) Notional shares and ADS.

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

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Other share plans and dilution limits

All-employee share plans

The Executive Directors participate in various all-employee share plans, including Share Save and Share Reward, HM Revenue & Customs approved plans.

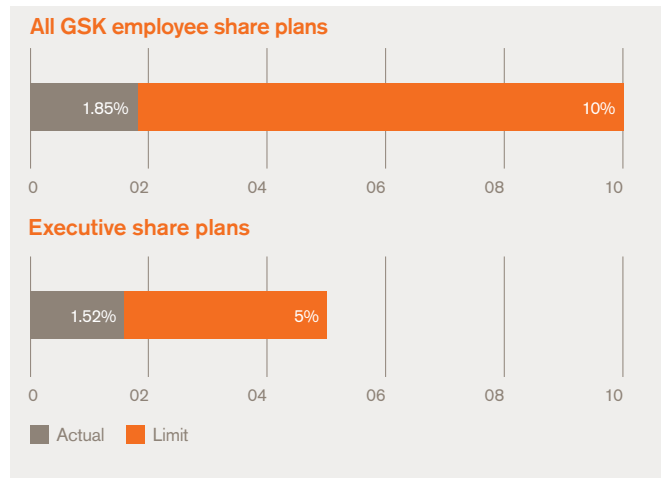
Participants of the Share Save Plan may save up to £250 a month from their net salaries for a fixed term of three years and at the end of the savings period they have the option to buy GSK shares at a discount of up to 20% of the market price set at the launch of each savings contract.

Participants of the Share Reward Plan contribute up to £125 a month from their gross salaries to purchase GSK shares and the company matches the number of GSK shares bought each month.

	Monthly saving	
	Share Save (£)	Share Reward (£)
Emma Walmsley	–	125
Simon Dingemans	225	125
Dr Patrick Vallance	250	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 2017 is as follows:



Annual report on remuneration continued

Implementation of Remuneration policy for 2018

Salary

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

	2018	% change
Wider workforce ⁽¹⁾	–	2.5
Emma Walmsley	£1,028,100	2.5
Simon Dingemans	£772,800	2.5
Dr Patrick Vallance	£780,000	0
Dr Hal Barron	\$1,700,000	N/A

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

Benefits

No significant changes to the provision of benefits are proposed for 2018. 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 2018. Details of Dr Hal Barron's pension arrangements are set out on page 141.

	Pension contribution
Emma Walmsley ⁽¹⁾	20% of base salary and matching contributions
Simon Dingemans	20% of base salary in lieu of pension

(1) As a member of the defined contribution plan, is eligible to receive matching contributions of up to 5% on the first £33,333 of her salary in accordance with the terms of the plan (i.e. £1,667).

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 2018.

	Target	Maximum
Emma Walmsley		
Simon Dingemans	100%	200%
Dr Hal Barron		

The financial measure is Adjusted Group PBIT (previously Core Group PBIT). 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 2018 Annual Report.

Long Term Incentive plans

Deferred Annual Bonus Plan (DABP) awards

The table below provides details of the mandatory deferral in the DABP in respect of 2017 Annual bonus payments and associated awards granted.

	% of total bonus deferred into shares	2018 DABP award (number shares)
Emma Walmsley	50	58,889
Simon Dingemans	50	41,674
Dr Patrick Vallance	50	43,111

Performance Share Plan (PSP) awards

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

	2018 PSP award (% of salary)	2018 PSP award (number shares)
Emma Walmsley	550	437,997
Simon Dingemans	400	239,442
Dr Hal Barron ⁽¹⁾	500	233,132

(1) Award in form of ADS

Performance measures

The metrics for the PSP awards remain unchanged. The 2018 awards will continue to be based on three equally weighted measures:

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

TSR will continue to be measured against global pharmaceutical peers. 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.

The adjusted free cash flow targets will be disclosed to shareholders on a prospective basis at the time of grant, and will thereafter be reported in the 2018 Annual report on remuneration.

Implementation of Remuneration policy for 2018 continued

Termination arrangements for Dr Patrick Vallance

As announced in 2017, Dr Patrick Vallance will leave the Board on 31 March 2018.

As Dr Vallance 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 2018 Annual report on remuneration.

Remuneration element	Summary of treatment
Annual bonus	Will not receive any bonus for 2018.
PSP and DABP	Will not be granted PSP awards in 2018 but will defer 50% of 2017 bonus into DABP.
Outstanding PSP and DABP matching awards	Any awards not vested prior to Dr Vallance's departure will lapse when he leaves GSK.
DABP deferred bonus awards	Awards in respect of bonuses deferred in respect of 2017 and prior years will vest at the normal vesting dates.

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

Remuneration arrangements for new Executive Director

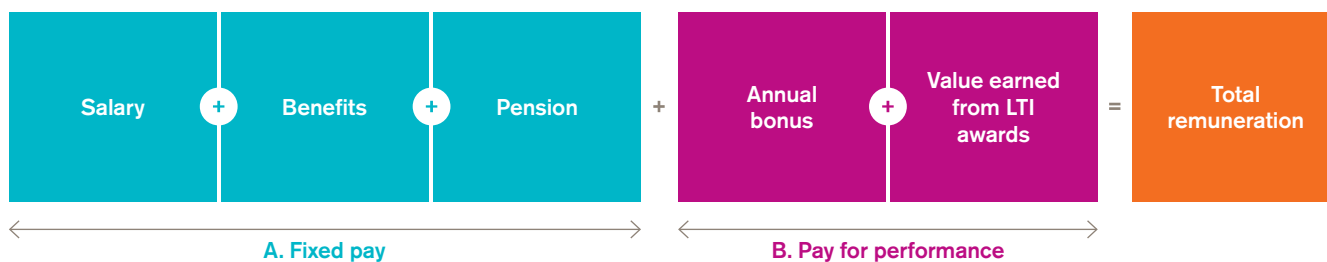
Dr Hal Barron joined GSK as Chief Scientific Officer and President, R&D on 1 January 2018, and is an Executive Director. A summary of his remuneration is set out below:

	US\$	Notes
Base salary	\$1,700,000	The comparator group for pay for the top R&D position is the global pharmaceutical comparator group.
Annual bonus	\$1,700,000	The on-target bonus would be 100% with a maximum of 200% as for the outgoing President, R&D.
Award of LTIs	\$4,250,000	This assumes an expected value of 50% of an award of performance shares under the company's 2017 Performance Share Plan at a 5x multiple of base salary as for the outgoing President, R&D.
Share Ownership Requirement (SOR)	300% of base salary	This is in line with GSK's 2017 Remuneration policy.
Pension		Pension is in line with GSK's 2017 Remuneration policy and arrangements for other executives based in the US.
Benefits		Benefits will be in line with GSK's 2017 Remuneration policy.

2017 Remuneration policy summary

Executive Director remuneration policy

The company's Remuneration policy was approved on 4 May 2017 at GSK's Annual General Meeting. The full policy is available at www.gsk.com in the Investors section. The following is a summary of this policy.



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.

Operation

Individual's role, experience and performance and independently sourced data for relevant comparator groups considered when determining salary levels.

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 118 and 140.

Performance measures

The overall performance of the individual is a key consideration when determining salary increases.

Benefits

Levels are set to recruit and retain high calibre individuals to execute the business strategy.

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.

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 118.

Performance measures

None.

Pension

Pension arrangements provide a competitive level of retirement income.

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.

Opportunity

The policy for all current Executive Directors and new external recruits is:

- UK:**
- 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.
- US:** Eligible for the same benefits as other US senior executives:
- 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.

Performance measures

None.

Executive Director remuneration policy summary continued

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.

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.

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.

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.

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.

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.

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.

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.

> For details of our policy on clawback/malus, recruitment remuneration, loss of office and termination payments, please refer to the full 2017 Remuneration policy report on pages 138 to 146 of the 2016 Annual Report, available at www.gsk.com in the Investors section.

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 2018 under the policy. A range of potential outcomes is provided for each Executive Director and the underlying assumptions are set out below.

All scenarios:

- 2018 base salary has been used.
- 2017 benefits and pension figures have been used for the CEO, CFO and the outgoing President, R&D, i.e. based on actual amounts received in 2017 in respect of the ongoing policy. As the new Chief Scientific Officer and President, R&D was not in role during 2017, the benefits value for this role is based on the value of benefits (excluding Other benefits and Travel) and including pension contribution based on policy.
- The amounts shown under value of PSP awards are based on the relevant multiples for 2018. They do not include amounts in respect of dividends reinvested and do not factor in changes to share price over the vesting period.

Fixed:

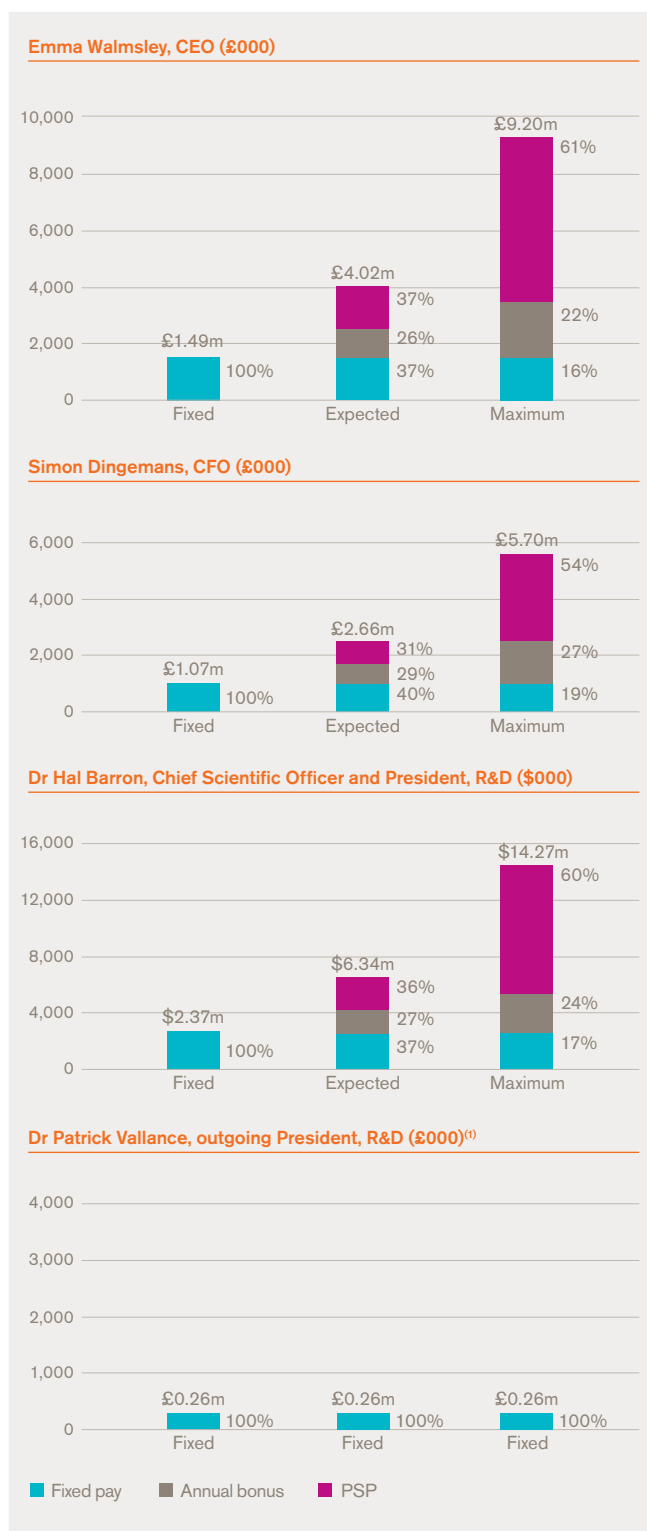
- None of the pay for performance (Annual bonus and PSP) would be payable.

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) Outgoing President, R&D, will leave GSK on 31 March 2018 and is not eligible for bonus or PSP award for 2018. The figures represent his actual remuneration for January through March 2018.

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.

<p>Chairman's fees</p>	<p>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.</p>	
<p>Operation</p> <p>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.</p> <p>Fees can be paid in a combination of cash and/or GSK shares or ADS via the Non-Executive Directors' Share Allocation Plan.</p>	<p>Opportunity</p> <p>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.</p> <p>Details of current fees are set out in the Annual report on remuneration on page 127.</p>	<p>Performance measures</p> <p>None</p>
<p>Basic fees</p>	<p>As above</p>	
<p>Operation</p> <p>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.</p> <p>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.</p>	<p>Opportunity</p> <p>As with the Chairman, fees are reviewed annually and set by reference to independently sourced data.</p> <p>Details of current fees are set out in the Annual report on remuneration on page 127.</p>	<p>Performance measures</p> <p>None</p>
<p>Supplemental fees</p>	<p>To compensate Non-Executive Directors (other than the Chairman) for taking on additional Board responsibilities or undertaking intercontinental travel.</p>	
<p>Operation</p> <p>Additional fees for Committee Chairmen, the Senior Independent Non-Executive Director, Science and Medical Experts and intercontinental travel.</p>	<p>Opportunity</p> <p>Details of supplemental fees are set out in the Annual report on remuneration on page 127.</p>	<p>Performance measures</p> <p>None</p>
<p>Benefits</p>	<p>To facilitate execution of responsibilities and duties required by the role.</p>	
<p>Operation</p> <p>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.</p>	<p>Opportunity</p> <p>There is no formal maximum limit as benefit costs can fluctuate depending on changes in provider costs and individual circumstances.</p> <p>Details of current benefits and costs are set out in the Annual report on remuneration on page 127.</p>	<p>Performance measures</p> <p>None</p>

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.

The annual meeting was held in December 2017, at which Urs Rohner, the Committee Chairman, shared updates on remuneration matters in the last 12 months and proposals for 2018 onwards.

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 156. 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

12 March 2018