

## Introduction

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

This statement covers GlaxoSmithKline plc and its group companies<sup>1</sup> and refers to the financial year ending 31 December 2018 (click here to read our [previous statements](#)).

## GSK's business and supply chains

GSK is a science-led global healthcare company. We aim to bring differentiated, high-quality and needed healthcare products to as many people as possible through our three global businesses. Our research and development approach focuses on science related to the immune system, the use of human genetics and advanced technologies. Information on our range of products can be found [here](#).

Our Pharmaceuticals business has a broad portfolio of innovative and established medicines with leadership positions in respiratory and HIV. In 2018, we produced 2.3 billion packs of medicine.

We are the leading vaccines company in the world. Our Vaccines business has a portfolio and pipeline that help protect individuals throughout their lives. In 2018, we sold 770 million vaccine doses.

Our Consumer Healthcare business develops and markets a portfolio of globally recognised consumer-preferred and expert recommended brands in the oral health, pain relief, respiratory, skin health, nutrition and digestive categories. In 2018, we sold around 3.8 billion consumer healthcare products.

Turnover was £30.8 billion in 2018. The US represents our largest single commercial market, followed by International and Europe. We employ 95,490 people across 98 countries, with almost two thirds based in Europe and North America. We also have workers who are not directly employed by GSK who are known as complementary workers and are a vital part of our workforce.

We have global commercial operations, with our main research & development centres in Europe and the US. Our manufacturing network includes 78 sites in 36 countries. Further information on our business can be found in our [Annual Report](#).

GSK's supply chains are complex and have significant scale, with a spend of around £14 billion every year with third parties. This includes more than 38,000 suppliers that provide us with:

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

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<sup>1</sup> This includes, but is not limited to: GlaxoSmithKline Services Unlimited; Phivco UK II Limited; SmithKline Beecham Limited; GlaxoSmithKline Consumer Healthcare (Overseas) Limited; Glaxo Operations UK Limited; GlaxoSmithKline Consumer Healthcare (UK) IP Limited; GlaxoSmithKline Intellectual Property Management Limited; GlaxoSmithKline Consumer Healthcare (UK) Trading Limited; GlaxoSmithKline Consumer Trading Services Limited; GlaxoSmithKline UK Limited; GlaxoSmithKline Research & Development Limited and ViiV Healthcare UK Limited. For a full list of GlaxoSmithKline group companies please see pages 260-270 of our [Annual Report](#).

### Policies

Our [Code of Conduct](#) is the foundation of our company policies. It sets out how staff and complementary workers should apply our values (patient focus, transparency, respect and integrity) and expectations (courage, accountability, development and teamwork) in their daily work and embeds respect for human rights and labour rights across the business. The Code is underpinned by several policies and standard operating procedures that help to mitigate against the risk of modern slavery:

- Our [human rights policy](#) sets out our commitment to conduct business with respect for international human rights standards and includes the standard labour rights clause that is in our contracts with third parties.
- During the year, we developed Global Employment Guidelines to ensure that existing local policies across GSK operations consistently meet minimum standards for employment practices. The Guidelines are based on international standards, including the ILO core conventions, and prohibit any form of forced labour or child labour.
- Our [working with third parties policy](#) sets out the labour rights standards we expect our third parties to follow and makes clear our opposition to all forms of forced labour and exploitative child labour. It also makes clear our requirement that third parties take responsibility for controlling their own supply chain.
- Our standard operating procedure for safeguarding and non-retaliation defines our approach to protecting and supporting individuals who work for GSK and report concerns of significant misconduct in good faith (including exploitative labour practices). In 2018, this was updated to include more specific information on who, how and when we will safeguard individuals, the appointment of a GSK Safeguarding Champion and updated ways of working and systems to proactively safeguard workers at GSK.
- Other relevant policies include those on equal and inclusive treatment of employees, pre-employment screening, [conflict minerals](#) and [anti-bribery and corruption](#).

### Assessment of modern slavery risk

In 2018, as part of our commitment to implementing the UN Guiding Principles on Business and Human Rights, we re-assessed our human rights risks at a corporate level to ensure that we focus on where our business has the greatest potential to impact people. This involved seeking input from internal and external stakeholders, including human rights experts and peer companies to learn from their perspectives, knowledge and experiences. For labour rights risks, we considered country of operation, the type of work being carried out and the type of labour being used.

The assessment reaffirmed our belief that the risk of modern slavery in our directly employed workforce is low. This is due to the highly regulated nature of our industry, our employees being largely educated or skilled, or undertaking work in controlled environments where there are established policies and processes.

Our exposure to the risk of labour exploitation increases when we engage with third parties, particularly those in high risk sectors (e.g. catering, cleaning, transportation, warehousing, construction and some types of manufacturing) and in lower tiers of supply where visibility of our indirect relationships is limited. In countries where human rights are not well protected, the risks are heightened further. In addition to stakeholder engagement, external data sources (e.g. OECD sector guidance; Alliance 8.7 Global Estimates of Modern Slavery and the US State Department's list of goods produced by child and forced labour) help us to better understand the contextual factors relevant to modern slavery.

GSK also invests in industry and cross-industry collaboration to improve our ability to identify and mitigate modern slavery risks. This includes active participation in the following forums: the Pharmaceutical Supply



Chain Initiative's Human Rights and Labour Sub-Committee, the UN Global Compact Network UK Modern Slavery Working Group and the Business for Social Responsibility Human Rights Working Group.

In 2018, we expanded our membership of the Consumer Goods Forum by joining its Social Sustainability Initiative which has established three Priority Industry Principles to address the core drivers of forced labour: every worker should have freedom of movement; no worker should pay for a job; and no worker should be indebted or coerced to work. We have begun a review of our policies and practices to assess alignment with the Priority Industry Principles and to help us better understand the presence of labour providers in our complementary workforce and supply chain.

### **Due diligence and risk management**

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

#### **Governance**

Our Human Rights Steering Group oversees our approach to addressing human rights risks, including modern slavery, and includes senior representatives from across the business including legal, compliance, audit and assurance and human resources.

The GSK Board provides oversight through our well-established [governance](#) and risk management frameworks and has approved this statement.

#### **Embedding respect for human rights**

Mandatory annual training on our Code of Conduct is designed to help our workforce understand how to put our values into practice in their daily working lives and manage ethical dilemmas they may encounter. In 2018, 98% of our employees and 91% of our complementary workers completed training on our Code of Conduct, which covered the importance of working with third parties who share our commitment to respect labour rights.

Our Values Assurance programme is designed to identify risk related to values, culture and behaviour by having individual discussions with randomly selected employees and complementary workers across multiple countries (for an overview of this programme see [here](#)). This process helps to create an environment where issues – including labour rights violations – can be raised, and rigorous follow up ensures concerns are addressed. In 2018, we assessed 18 different parts of the business against a maturity matrix, including interviews with more than 1,500 employees. Countries visited included Egypt, China and Brazil. A wide range of working practices were covered, such as equal and inclusive treatment, employment practices and health and wellbeing. There were no signals suggestive of modern slavery.

#### **Overseeing third parties**

We aim to work with third parties that share our values and work to the ethical and business standards expected by GSK. Our Third Party Oversight programme helps to strengthen our management of risk in the supply chain by driving improvements in our network of third parties. Third parties are assessed against the principles set out in our working with third parties policy, enabling us to identify labour rights risks before entering into contracts with them (for an overview of this programme see [here](#)). In 2018, the programme was fully deployed across all areas of the business and a streamlined approach implemented to allow us to focus our resources on higher risk engagements.

In 2018, over 20,800 third parties underwent a risk assessment, of which 802 were deemed to be at high risk of potential non-compliance from a labour rights perspective based on their country of operation and the type of product or service they provide. High risk third parties have their policies and processes to manage labour rights risks independently assessed by [EcoVadis](#). Last year, 288 third parties that completed an EcoVadis assessment failed to meet the minimum score we expect on labour rights and were required to make improvements. A further 171 third parties who were reassessed by EcoVadis in

2018 following poor performance on labour rights in previous years, increased their score to meet our required threshold.

In 2018, we also conducted 83 on-site audits on environment, health and safety, and labour rights. There were 5 major labour rights findings from visits to suppliers of active pharmaceutical ingredients and intermediates. The issues related to working hours and regular employment for three suppliers in China, a labour management system for a potential supplier in the United Arab Emirates and working hours and overtime pay for a supplier in India. In all cases, we have agreed (or are finalising) corrective action plans with the third party. To verify that corrective actions have been implemented, we review the third party's records and procedures and conduct a follow-up audit. If significant issues remain unresolved, we may choose to suspend or terminate work with a third party.

In our [2017 statement](#), we disclosed labour rights non-compliances related to wages, benefits and record-keeping for a chemical supplier in India and working hours for a chemical supplier in China. In 2018, the Indian supplier successfully implemented the agreed corrective actions. We are continuing to engage with our Chinese supplier on a longer-term plan to resolve working hour practices. This includes improving forecast, demand and capacity as well as recruitment efficiency and monitoring processes.

### Reporting and investigating concerns

We want to maintain an open environment where people feel confident to raise concerns about possible breaches of our Code of Conduct or suspected violations of country laws and regulations. Anyone within or outside GSK – such as employees of third parties – can raise issues or speak to an independent third party through our [Speak Up](#) facility, available in 49 languages, confidentially or anonymously if they prefer.

In 2018, 2,842 employees were accused of misconduct. We reviewed all of these cases and initiated 1,805 formal investigations. As a result, 940 employees were disciplined for policy violations, of whom a total of 115 employees were dismissed or voluntarily left the organisation. Disciplinary actions were mainly in relation to mandatory training completion, behaviour in the workplace and good manufacturing and distribution practices. There were no indications of modern slavery.

### Training

In addition to global mandatory training on our Code of Conduct, in 2018 we delivered labour rights webinars (which included the indications of forced labour and examples of worker vulnerability) to regional employee relations co-ordinators and compliance staff supporting our facilities management and real estate function.

We also contributed to the development of modern slavery training for industry suppliers in China and India, organised by the Pharmaceutical Supply Chain Initiative's Human Rights and Labour Sub-Committee. Fair labour NGO, Verité, delivered the workshops, which covered the emerging compliance regimes around modern slavery, how to identify risks in the workplace, mitigation and remediation measures.



Simon Dingemans  
Chief Financial Officer

11 March 2019