

# Corporate Governance

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# Chairman's Governance statement

I am pleased to present our Corporate Governance report for 2019 and an overview of the changes to our governance arrangements for 2020 as we work towards separation of the Group.

Last year was an important one for GSK. The Board led by Sir Philip Hampton and Emma re-set the strategic direction of the company. I was honoured to have the opportunity to join the Board and lead it through the separation to create two new world-class businesses. I was particularly excited to work with Emma. She has brought real clarity to decision making, where a pharma veteran might have been less dispassionate. She has also attracted the best in the industry to form her top team. The Board is focused on supporting her and management in transforming the Group and executing our strategy.

At the beginning of this important journey for the company and for my tenure at GSK, it was helpful that my first Board meeting in September last year included a joint Board and CET Strategy offsite session. Together, we were able to consider the next steps for our plans and the way forward. This was a great start.

My understanding of GSK has been informed by a robust induction process, designed by Emma and our Company Secretary, introductory meetings with our investors and the Board review we decided to commission.

## Induction

I was keen to learn more about GSK, and started by understanding R&D from Hal and visiting our R&D sites in the US and UK, including Tesaro, and meeting with 23andMe, with whom we have an important collaboration. I look forward to visiting more of the Group in due course.

Since joining, I have met on an individual basis with Board and CET members and other key executives. I have also attended meetings of each of our Board Committees to assess and understand our Board culture and dynamics, and the company's corporate governance arrangements.

## Introductory meetings with investors

I wanted to hear what our shareholders think of GSK. I have held over 20 meetings with a range of investors making up approximately 30% of our register. They comprised a mix of our top UK and US shareholders, plus other key investors. I also led our Annual Governance Meeting in December 2019. I have noted the following points:

- Clear support for Emma and Hal, and the top team	- Demonstrate pipeline progress ahead of separation
- Support for the separation of the Group	- Managing capital allocation, debt, dividend and business development
- Positive progress on Innovation to date	- Evidence of a positive shift in our performance culture and our R&D culture has been transformed

## Board governance and architecture

Given the company is embarking on a period of transition and the last two years in particular have been a period of significant change from a Board and senior executive perspective, we decided to undertake an external review to gather the views of both the Board and CET members to ready us for the task ahead. This review, together with the insights from my introductory meetings with investors and feedback from the employees I have met since joining, has helped us to further refine our Board governance and architecture. This will help focus and facilitate the Board's work in support of management, to be as effective and efficient as possible in delivering the transformation of the Pharmaceuticals and Vaccines business and the separation of the Consumer Healthcare business.

A description of the review process which was carried out by Jan Hall of No 4 (No 4) follows this statement.

After the review, the Board agreed its critical objectives for the next three years towards separation. The Board then considered how best to distribute the workload between it and its Committees to ensure optimal effectiveness. The Board will also increase the time it spends on science given the importance of the strengthening the pipeline.

It was agreed that once the Board has conducted its annual review into the Group's enterprise risks, deeper enterprise risk oversight should be undertaken by the Board Committee which focuses on that aspect of the business most closely. Enhancements were also considered to the ways of working and governance architecture of the Board's Committees. These included:

## Audit & Risk Committee (ARC)

The ARC will continue to have a strong focus on financial reporting, as well as monitoring the dashboard of all GSK's enterprise risks and the process by which they are identified and prioritised as part of its oversight of our internal control framework. It will conduct the detailed reviews of GSK's Financial controls and reporting, Anti-bribery and corruption, Commercial practices, Privacy and Information security enterprise risks, as well as receiving business unit risk reports on Pharmaceuticals, Vaccines, Consumer Healthcare and our Global Support functions. In addition, it will be responsible for oversight of the financial components as we work towards separation.

### Nominations Committee

The remit of the Nominations Committee will be expanded to encompass Corporate Governance matters, therefore freeing more time at the Board. The Committee will be renamed the Nominations & Corporate Governance Committee. All Non-Executives will be invited to participate in meetings of the Committee when it considers succession and talent.

### Transformation & Separation Committee

A Transformation & Separation Committee will be established to support and advise management's work on transforming and separating the Group. I will chair this Committee whose members will include our Senior Independent Director (SID) and the Chairs of the ARC, Remuneration and Corporate Responsibility Committees. It will meet as required and it is expected that it will be more active as we near separation.

### R&D at the Board & Science Committee

Given the critical importance of strengthening the pipeline, the Board will increase its time spent on R&D strategy, while the Science Committee will focus on science at a deeper level to further support the Board's understanding and provide reassurance and guidance as required.

The Science Committee will then have three broad objectives: the scientific assumptions driving our strategy, technical assurance, and risk oversight. It will support the Board in its understanding of our agreed R&D strategy and of any external transactions by performing a deep review of the underlying scientific assumptions. In addition, it will have oversight of R&D's enterprise and other significant risks.

The Board feels that with these enhancements to our governance it will improve further our effectiveness and support us through the separation process.

### Succession planning

My first task as Nominations Committee Chair has been to focus on the search for Judy's successor as Chair of the ARC. We have made good progress to date and look forward to announcing the conclusion of our search.

We considered the ideal transition for this important role. We are very pleased that Judy has confirmed that she will stay on the Board for a further year, despite having served over nine years, and she will now step down from the Board at the 2021 Annual General Meeting. This should facilitate a smooth transition. Judy will continue as its Chair until the 2020 Annual Report is completed, when her successor will then Chair the ARC.

The Board is mindful that the Financial Reporting Council's (FRC) 2018 UK Corporate Governance Code (2018 Code) indicates that Non-Executive Directors should not serve for more than nine years. However, the Board considers this is the most appropriate way to proceed in the long-term best interests of shareholders and believes, following a rigorous review, that Judy continues to act with utmost independence, despite her length of tenure.

The Nominations Committee continues to oversee succession planning for the Board and the CET. In due course, it will consider the needs of the post separation boards.

### Non Executive Directors fees

We have reviewed our Non-Executive Directors' fee arrangements as part of our three year remuneration policy review. Our Non-Executive Director fees were last increased in 2013 and, following a review, we concluded that it was appropriate to make increases to the fees to bring them into line with our comparator group. We have also taken the opportunity to update our policy to be able to remunerate our Workforce Engagement Director, for the considerable work she undertakes as part of this new and expanding role. The investors we consulted on these changes were supportive of them. Full details can be found on page 140.

I can confirm that during 2019 the company complied with the requirements of the 2018 Code. A copy of the 2018 Code can be found on [www.frc.org.uk](http://www.frc.org.uk).

I commend this report to all our stakeholders.

### Sir Jonathan Symonds

Chairman

3 March 2020

# Our Board

## Board governance and architecture

The Board carries out an evaluation of its performance and that of its Committees every year. The evaluation is normally facilitated externally every third year. The last external evaluation was facilitated two years ago by Ffion Hague of Independent Board Evaluation.

For the reasons given in the Chairman's Governance statement on pages 76 to 77, the Board agreed it would be helpful to carry out an external evaluation that included a review of its governance and architecture.

No 4 was appointed by the Board to undertake the review. No 4 does not have any other connection with the company or individual Board Directors.

### Preparation

No 4 met with the Chairman and CEO in advance to agree the objectives and the scope of the evaluation exercise and the timetable of activities. The Company Secretary provided No 4 with access to Board, Committee and other materials as part of No 4's preparatory work.

### Interviews

During November and December 2019, No 4 conducted confidential and detailed in person interviews with each Board and CET member, as well as meeting with the Company Secretary, to seek their views on the Board's effectiveness. These meetings were based on an agreed Discussion Guideline, that included topics highlighted by the FRC in its 2018 Guidance on Board Effectiveness. It also reflected the relevant requirements of the FRC's 2018 Code. The Discussion Guideline was sent to each participant in advance. No 4 also had telephone meetings with the external remuneration adviser and the auditor.

### Review

The output from the evaluation was presented and discussed with the Board collectively. A summary report including suggested next steps was then compiled by No 4. This was discussed with the Chairman and CEO, and subsequently with the SID. The summary report was then presented to the Board in January 2020 with a proposal for implementation of the suggested recommendations.

### 2019 Board review feedback summary

The review concluded that the Board is operating effectively and the new Chairman is seen to have made an excellent start.

The business is now entering a period of significant positive change and opportunity. The Board feels very confident in the CET and that each of the individual Board Directors bring relevant experience and skills which are collectively appropriate.

GSK's mission of producing products to 'help people do more, feel better and live longer' remains at the heart of its values and culture.

There is full commitment from the Board as a whole to support the overarching strategy of creating two great companies.

The Board is confident that the CET is focused on driving performance over the next three years.

### Action points for 2020

- **Meetings and organisation** – to improve the balance between presentation and discussion to create more time for debate
- **Board dynamics and individual contribution** – to facilitate even greater individual contribution by creating more discussion time
- **Committees** – to review the remit and attendees at the Board's Committee meetings to ensure they are fit for purpose for 2020 and beyond
- **Risk** – to agree which Board Committee will ensure deeper oversight and review of each of the Group's enterprise risks
- **Strategy and performance** – to conduct deep dives into the key strategic areas and ensure a focus on supporting management to execute the agreed strategy
- **Board knowledge** – to deepen the Board's knowledge and understanding of latest scientific developments
- **Stakeholders** – within the business, the Board should continue to focus on the key areas of focus for the CET namely: strengthening the R&D pipeline, growth, transformation and delivery of GSK's Trust business priority. Externally the Board should maintain strong relationships and communication with shareholders and its other key stakeholders to seek their input and keep them well informed on progress
- **Succession planning** – to complete the appointment of the ARC Chair's successor
- **Governance** – to build further on GSK's commitment to Environmental, Social and Governance (ESG) matters.

## Our Board continued

Board composition		International experience		Gender diversity	
<b>Composition</b>		<b>International experience</b>		<b>Board</b>	
Executive	27%	Global	91%	Male	54.5%
Non-Executive	73%	US	100%	Female	45.5%
<b>Tenure Non-Executive</b>		Europe	91%	<b>Executive</b>	
Up to 3 years	36%	EMAP	82%	Male	66.7%
3-6 years	46%			Female	33.3%
7-9 years	18%			<b>Non-Executive</b>	
				Male	37.5%
				Female	62.5%

**Sir Jonathan Symonds, CBE**

Non-Executive Chairman

Age: 61

Nationality: British

Appointed: 1 September 2019

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**Skills and experience**

Jon has extensive international financial, life sciences and governance experience.

Jon served as an Independent Non-Executive Director of HSBC Holdings plc from April 2014, and as Deputy Group Chairman from August 2018, until his retirement from the Board in February 2020. He was previously Chairman of HSBC Bank plc, HSBC's European subsidiary, which offers services to clients in the UK and Continental Europe. Jon was Chief Financial Officer of Novartis AG from 2009 to 2013. Before joining Novartis, he was a Partner and Managing Director of Goldman Sachs; Chief Financial Officer of AstraZeneca plc; and a Partner at KPMG. His governance experience includes roles as Non-Executive Director and Chair of the Audit Committees of Diageo plc and QinetiQ Group plc.

**External appointments**

Jon is currently Chairman of Proteus Digital Health Inc and a Non-Executive Director of Rubius Therapeutics, Inc. He is also a Non-Executive Director of Genomics England Limited having previously served as its Chairman.

Jon is a Fellow of the Institute of Chartered Accountants in England and Wales.

**Emma Walmsley**

Chief Executive Officer

Age: 50

Nationality: British

Appointed: 1 January 2017

Chief Executive Officer from 1 April 2017

**Skills and experience**

Prior to her appointment as GSK's CEO, Emma was the CEO of GSK Consumer Healthcare, a Joint Venture between GSK and Novartis, from its creation in March 2015. Emma joined GSK in 2010 from L'Oréal, having worked for 17 years in a variety of roles in Paris, London, New York and Shanghai. Emma was previously a Non-Executive Director of Diageo plc.

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

**External appointments**

Emma joined the Board of Microsoft, Inc as an independent director in December 2019. She is an Honorary Fellow of the Royal Society of Chemistry.

**Iain Mackay**

Chief Financial Officer

Age: 58

Nationality: British

Appointed: 14 January 2019

Chief Financial Officer from 1 April 2019

**Skills and experience**

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

**External appointments**

Iain is a Trustee of the British Heart Foundation and Chair of its Audit and Risk Committee. He is a member of the Court of the University of Aberdeen and The 100 Group.

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

## Our Board continued

### Dr Hal Barron

Chief Scientific Officer  
and President, R&D

Age: 57

Nationality: American

Appointed: 1 January 2018

Chief Scientific Officer and President,  
R&D from 1 April 2018

#### Skills and experience

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

#### External appointments

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

### Manvinder Singh (Vindi) Banga

Senior Independent Non-Executive  
Director

Age: 65

Nationality: British

Appointed: 1 September 2015

Senior Independent Non-Executive Director  
from 5 May 2016

(N) (A) (R)

#### Skills and experience

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

#### External appointments

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

### Dr Vivienne Cox, CBE

Independent Non-Executive Director  
& Workforce Engagement Director

Age: 60

Nationality: British

Appointed: 1 July 2016

(R) (C)

#### Skills and experience

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

#### External appointments

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

### Lynn Elsenhans

Independent Non-Executive Director

Age: 63

Nationality: American

Appointed: 1 July 2012

(C) (N) (A)

#### Skills and experience

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

#### External appointments

Lynn is a Non-Executive Director of Baker Hughes Company, a Board Director of Saudi Aramco and a Director of the Texas Medical Center.

## Our Board continued

### Dr Laurie Glimcher

Independent Non-Executive Director  
and Scientific & Medical Expert

Age: 68

Nationality: American

Appointed: 1 September 2017



#### Skills and experience

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

#### External appointments

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

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

### Dr Jesse Goodman

Independent Non-Executive Director  
and Scientific & Medical Expert

Age: 68

Nationality: American

Appointed: 1 January 2016



#### Skills and experience

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

Jesse played a leadership role in developing the FDA's Regulatory Science and Medical Countermeasures Initiatives and has worked collaboratively with industry, academia, government and global public health and regulatory partners to prepare for and respond to major public health threats, including emerging infectious diseases, disasters and terrorism. He led the FDA's response to West Nile Virus and to the 2009 H1N1 influenza pandemic and served on the Senior Leadership Team for the 2010 White House Medical Countermeasure Review. Jesse was previously a member of both the Scientific Advisory Committee and the Regulatory and Legal Working Group of the Coalition for Epidemic Preparedness Innovations (CEPI). He brings scientific and public health expertise to the Board's deliberations.

#### External appointments

Jesse, currently Professor of Medicine at Georgetown University, directs the Georgetown University Center on Medical Product Access, Safety and Stewardship (COMPASS) and is an active clinician who serves as Attending Physician in Infectious Diseases. He also serves as President and Member of the Board of the United States Pharmacopeia (USP) and as a member of the Board of Scientific Counselors for Infectious Diseases of the Centers for Disease Control and Prevention (CDC). Jesse is also a member of the Board of Intellia Therapeutics, Cambridge, MA and a member of the US National Academy of Medicine.

### Judy Lewent

Independent Non-Executive Director

Age: 71

Nationality: American

Appointed: 1 April 2011



#### Skills and experience

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

#### External appointments

Judy is a Non-Executive Director of Thermo Fisher Scientific Inc and Motorola Solutions Inc. She is also a Trustee of the Rockefeller Family Trust, a life member of the Massachusetts Institute of Technology Corporation, a member of the American Academy of Arts and Sciences, a member of the Business Advisory Board of twoXAR and a member of the Advisory Board of 4D Path Inc.

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

### Urs Rohner

Independent Non-Executive Director

Age: 60

Nationality: Swiss

Appointed: 1 January 2015



#### Skills and experience

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

#### External appointments

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

Sir Philip Hampton joined the Board on 1 January 2015 and was Deputy Chairman from 1 April 2015 and Non-Executive Chairman from 7 May 2015. He retired from the Board with effect from 31 August 2019.

Simon Dingemans joined the Board on 4 January 2011 and became Chief Financial Officer from 1 April 2011. He retired from the Company on 8 May 2019.

**Key** ● Committee Chair (N) Nominations (A) Audit & Risk (R) Remuneration (S) Science (C) Corporate Responsibility

# Our Corporate Executive Team

## Skills and experience

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### Dr Hal Barron

Chief Scientific Officer  
and President, R&D

Hal joined GSK and the CET in 2018. See Board biographies on page 79 to 81.

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### Roger Connor

President, Global Vaccines

Roger joined the CET in 2013. He was appointed President of GSK Global Vaccines in 2018. In addition to leadership of the Vaccines business, he is responsible for GSK's global procurement organisation. Previously, he was President, Global Manufacturing & Supply and, before that, Vice President, Office of the CEO and Corporate Strategy. Roger joined GSK in 1998 from AstraZeneca. Roger holds a degree in Mechanical and Manufacturing Engineering from Queen's University, Belfast and a Master's in Manufacturing Leadership from Cambridge University. He is a Chartered Accountant.

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### Diana Conrad

Senior Vice President,  
Human Resources (HR)

Diana was appointed Senior Vice President, Human Resources (HR) and member of the CET in April 2019. She was previously Senior Vice President, HR, Pharmaceuticals R&D from 2016 where she played a key strategic role as leader of the R&D people and culture agenda to support its transformation.

Diana joined GSK Canada's HR team in 2000 where she held several roles of increasing responsibility before becoming Senior Vice President, HR for Consumer Healthcare in 2009.

Prior to joining GSK, she held HR roles in companies including GE Capital, Gennum Corporation and Zenon Environmental Laboratories. Diana has an Honours Bachelor of Arts from McMaster University in Canada.

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### James Ford

Senior Vice President  
and General Counsel

James joined the CET in 2018, when he was appointed Senior Vice President and General Counsel. He joined GSK in 1995 and has served as General Counsel Consumer Healthcare, General Counsel Global Pharmaceuticals, Vice President of Corporate Legal and was Acting Head of Global Ethics and Compliance. Prior to GSK, James was a solicitor at Clifford Chance and DLA. He holds a law degree from University of East Anglia and a Diploma in Competition Law from Kings College. He is qualified as a solicitor in England and Wales and is an attorney at the New York State Bar. James is based in London but has practised law and lived in the US, Singapore and Hong Kong. James is co-chair of the US based Civil Justice Reform Group.

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### Nick Hirons

Senior Vice President,  
Global Ethics and Compliance

Nick was appointed to the CET in 2014 as Senior Vice President, Global Ethics and Compliance, responsible for compliance, risk management, corporate security and investigations. Nick joined GSK in 1994 as an International Auditor. He was later Head of Audit & Assurance, where he combined five audit functions into an independent team with a common risk-based methodology. In 2013, Nick relocated to China to establish a governance model for our China business and created a consistent approach to compliance. Nick is a fellow of the Chartered Institute of Management Accountants.

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### Sally Jackson

Senior Vice President,  
Global Communications  
and CEO Office

Sally joined the CET in March 2019 as Senior Vice President, Global Communications and CEO Office. She is responsible for communications and government affairs for our three global businesses and in the markets, as well as employee engagement across the Group. She is also the CEO's Chief of Staff. Prior to this Sally was Senior Vice President Office of the CEO and CFO and she previously served as Head of Investor Relations. She joined GSK in 2001. Sally holds a degree in Natural Sciences from the University of Cambridge.

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### Iain Mackay

Chief Financial Officer

Iain joined GSK and the CET in 2019. See Board biographies on page 79 to 81.

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### Brian McNamara

CEO, GSK Consumer Healthcare

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

Brian is a Board Member and former Chairman of the Global Self-Care Federation (GSCF) and is a Board Member of the Consumer Goods Forum. He earned an undergraduate degree in Electrical Engineering from Union College in New York and an MBA in Finance from the University of Cincinnati.

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## Our Corporate Executive Team continued

### Skills and experience

#### Luke Miels

President, Global Pharmaceuticals

Luke joined GSK and the CET in 2017 as President, Global Pharmaceuticals, responsible for our commercial portfolio of medicines and vaccines. Luke also co-chairs the Portfolio Investment Board with Hal.

He previously worked for AstraZeneca as Executive Vice President of their European business and, prior to that, was Executive Vice President of Global Product and Portfolio Strategy, Global Medical Affairs and Corporate Affairs. Before that, he was head of Asia for Roche based in Shanghai and then Singapore. Prior to that he held roles of increasing seniority at Roche and Sanofi-Aventis in the US, Europe and Asia.

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

#### David Redfern

Chief Strategy Officer

David joined the CET as Chief Strategy Officer in 2008 and is responsible for corporate development and strategic planning. Previously, he was Senior Vice President, Northern Europe with responsibility for GSK's pharmaceutical businesses in that region and, before that, he was Senior Vice President for Central and Eastern Europe. He joined GSK in 1994. David was appointed Chairman of the Board of ViiV Healthcare Limited in 2011 and a Non-Executive Director of the Aspen Pharmacare Holdings Limited Board in 2015.

He has a Bachelor of Science degree from Bristol University and is a Chartered Accountant.

#### Regis Simard

President, Pharmaceuticals Supply Chain

Regis joined the CET in 2018, when he became President, Pharmaceuticals Supply Chain. He is responsible for the manufacturing and supply of GSK's pharmaceutical products. He also leads Quality and Environment, Health, Safety and Sustainability at a corporate level. Regis joined GSK in 2005 as a Site Director in France, rising to become Senior Vice President of Global Pharmaceuticals Manufacturing before his current role. Previously, he held senior positions at Sony, Konica Minolta and Tyco Healthcare. He is a member of the Board for ViiV Healthcare.

He is a mechanical engineer and holds an MBA.

#### Karenann Terrell

Chief Digital & Technology Officer

Karenann joined GSK and the CET in 2017 as Chief Digital & Technology Officer, responsible for our technology, digital, data and analytics strategy. Previously, she worked for Walmart as Chief Information Officer. Prior to this, she was at Baxter International, where she was Chief Information Officer, and before that Daimler Chrysler Corporation. Karenann began her career at General Motors. She is a member of the board of trustees for the New York Hall of Science and in 2017 she became a Non-Executive Director of Pluralsight LLC.

She earned graduate and post-graduate degrees in Electrical Engineering from Kettering and Purdue Universities respectively.

#### Phil Thomson

President, Global Affairs

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

Phil is Chairman of The Whitehall & Industry Group and a Board Member of the China-Britain Business Council.

He earned his degree in English, History and Russian Studies from Durham University.

#### Emma Walmsley

Chief Executive Officer

Emma joined the CET in 2011. See Board biographies on page 79 to 81.

#### Deborah Waterhouse

CEO, ViiV Healthcare

Deborah was appointed to the CET in January 2020. She became Chief Executive Officer of ViiV Healthcare in April 2017.

Deborah joined GSK in 1996 and was most recently the Senior Vice President of Primary Care within the company's US business, prior to which she led the US Vaccines business. She has a strong track record of performance in both specialty and primary care. Deborah led the HIV business in the UK before heading the HIV Centre of Excellence for Pharma Europe and held international roles as General Manager of Australia and New Zealand and Senior Vice President for Central and Eastern Europe.

Claire Thomas was a member of the CET and SVP, Human Resources until April 2019. She retired from the company in September 2019.

# Responsible leadership

The Board's role is to promote the long-term sustainable success of GSK, drive long-term growth for our shareholders whilst seeking to add value for our key stakeholders. Our Strategic report on pages 1 to 74 seeks to demonstrate how we are able to achieve this in practice, while our Corporate Governance report on pages 76 to 114 explains how governance contributes to the delivery of our strategy and Innovation, Performance and Trust (IPT) priorities.

## Our purpose, values and culture

Our purpose is to improve the quality of human life by helping people do more, feel better and live longer. This is underpinned by our values of patient focus, integrity, respect and transparency. Our purpose and values have always been a source of great pride for the Board, management and our employees. They help attract and retain talented people who, as individuals, want to be part of a Group that contributes meaningfully to society. They also drive the quality of our relationships with each other, our patients, consumers and other key stakeholders and ultimately should enable swifter progress in getting new medicines, vaccines and consumer healthcare products to our patients and consumers around the world. Our culture set by the Board is intended to deliver high standards of business conduct and promote the long-term success of the company.

Our purpose and values are supported by our expectations of courage, accountability, development and teamwork and by evolving a culture to foster increased pace and a performance edge. The Board receives regular reports from the CEO, CFO, Head of Human Resources and our global businesses, that update it on progress on the alignment between our strategy and our performance and values-based culture. The way in which the Board assures itself on this is described below.

During the year, the Board focused its culture discussions on employees' experience of GSK and ways of working. The Audit & Risk Committee considered the risk and compliance aspects of our culture change and Performance in line with GSK's Trust priority. The Board considered progress on culture change against research into our corporate reputation and insights and reflections from our key external stakeholders.

Culture change in a complex, global organisation such as GSK takes time and sustained effort. The Board is fully committed to this work because a healthy culture is a vital tool in unlocking and protecting value. The Board acknowledges that the biggest driver of our culture is the leadership of the company. The culture shift underway continues to be role modelled by the CET and the Board, where their words, actions and behaviours set the tone for employees and the wider workforce. Board members seek to lead by example by undertaking our Living our Values and Expectations training alongside the rest of the workforce. This training explores in particular our values, expectations and culture and their application to the company's operations and ways of working.

The Board receives the results of our regular employee surveys as a principal means of assessing how the shift in culture is embedding in the organisation. A culture dashboard has also been introduced with four quantifiable indicators of progress of the people culture transformation, namely:

- Appoint and promote the right people

- Leadership capability
- Employee engagement and
- Ways of working.

The Board also receives regular updates from the Head of Human Resources, which analyse progress against these dashboard indicators.

The Board further supports the approach to culture change employed by management in seeking to appoint and promote the right people, enhancing the company's governance controls and processes to further support and incentivise the right behaviours, and training and developing employees.

The company's Code of Conduct embodies our values and expectations to which our corporate standards and employee policies are aligned. These include our longstanding Speak Up arrangements where employees can raise matters confidentially or anonymously without fear of reprisals and as such are living our values and expectations and doing the right thing. The Board, through the Audit & Risk Committee, regularly reviews Speak Up reports provided by Global Ethics and Compliance (GEC). Our Speak Up channels and cases are managed by an independent third party and cases are then investigated by GEC.

Our Code of Conduct, which is available on GSK.com, is kept under review by the Board and is refreshed at least every other year, with an updated version due to be published in 2020.

Further details on how we enable our culture change as well as invest in and reward our workforce are described on pages 10 and 35 respectively.

## Our stakeholders

Engagement with the company's main stakeholder groups, including our patients, shareholders, consumers, customers and employees, at all levels of the organisation and across the enterprise is summarised on pages 15 and 16 of our Strategic report.

This section of the Corporate Governance report sets out how the company's key stakeholders' interests were considered by the Board in its discussions and decision-making during the year. This should be read in conjunction with our Section 172 statement on page 111 and the areas that the statement cross-references in this Annual Report to provide a holistic view of how the Board discharges this duty.

Our stakeholders, rightly, have high expectations of us and the dynamic environment in which we operate presents challenges and opportunities that the Board seeks to respond to, whilst remaining commercially successful, upholding our reputation, maintaining our licence to operate, and building trust. To ensure that we are able to identify and respond to these expectations effectively, the Board engages with many of our key stakeholders directly or seeks to understand their views by other means to ensure that stakeholder sentiment can be appropriately considered during deliberations and decision-making.

The influence and importance of different stakeholder groups in Board discussions can vary depending on the matter under consideration. Indeed, different stakeholders interests can be in conflict, requiring balanced judgments to be exercised by the Board to arrive at its final decision.

## Responsible leadership continued

Stakeholder engagement and feedback provides an important means of identifying emerging issues that are then brought to the attention of the Board. This enables us to further consider our activities to enable us to deliver on our purpose and ultimately our goal to become one of the world's most innovative, best-performing and trusted healthcare companies.

Our principal Board Committees, and the CET, have delegated powers that enable a more in-depth assessment and understanding of the impacts of the company's actions or plans on stakeholders through engagement briefings.

In particular, the Board's knowledge is informed by the work of the Corporate Responsibility Committee, which is described in more detail on page 109.

To further improve their understanding of stakeholder matters, Board members are also encouraged on an individual level to meet with employees, shareholders and other key stakeholders as part of their induction and thereafter on an ongoing basis for business awareness. They are encouraged to report to the Board on their experiences where relevant and material.

The Board is also advised of stakeholder views in a number of different ways, including:

- The CEO's Board Report
- Monthly stakeholder perception reports
- Businesses updates
- Business development analysis and justifications
- Board and Committee evaluations
- Remuneration policy reviews and the wider workforce pay perspective
- Culture and Succession planning updates
- Workforce Engagement Director's updates
- Annual Governance Meeting
- Annual General Meeting
- Employee survey reports
- Briefings during Annual Strategy meetings
- The Annual Budget and Business planning process and
- Corporate governance and regulatory development updates

During the year, the Board received and considered independent research into stakeholder perceptions of GSK's corporate reputation and views on its approach to ESG issues.

### Shareholder engagement

The Board seeks to directly engage with private retail and institutional shareholders in several ways. This includes regular communications, the Annual General Meeting, our Annual Governance Meeting, as well as the work of our Investor Relations team and the Company Secretary.

During the year, after publication of our quarterly results, the CEO, Emma Walmsley, and CFO, Iain Mackay, give presentations to institutional investors, analysts and the media by webcast teleconference. These presentations are made available on GSK.com.

They both maintain a continual and active dialogue with institutional shareholders on our performance, plans and objectives through a programme of regular meetings. During the year, they held over 60 individual meetings with major shareholders and they have hosted a total of nearly 40 group meetings with major shareholders and potential major shareholders.

Our Senior Independent Director (SID), Vindi Banga, conducted a series of meetings with investors and advisers to seek their views on our Chairman succession process.

As a key part of his induction, our new Chairman, Jonathan Symonds, wanted to hear what our shareholders thought of GSK. Jon has held over 20 introductory meetings with a range of investors comprising a third of the company's share register. He was keen to meet fund and portfolio managers, as well as seeing governance professionals, so that he could gain a fuller picture of our major shareholders' views and perspectives on GSK. The feedback he received is summarised in his Governance statement on page 76 and informed the 2019 Board review.

### Annual Governance Meeting

In addition, the Board also holds an annual governance event with institutional shareholders, key investment industry bodies and proxy advisory firms. This year's event was held in December 2019 in London and was hosted by the Chairman, our SID, and our Committee Chairs.

Jon shared updates on why he joined the Board and key areas of focus for the Board including:

- his Induction, Shareholder meetings and initial impressions of GSK;
- the Audit & Risk Committee Chair succession process;
- the Board review and potential changes to the Governance architecture.

He also provided an update on behalf of the Workforce Engagement Director who was unable to attend.

Urs Rohner, our Remuneration Committee Chair, also took the opportunity to discuss progress with the Remuneration Committee's review of executive remuneration ahead of the Remuneration policy vote at our Annual General Meeting in May 2020. Judy Lewent, our Audit & Risk Committee Chair, Lynn Elsenhans, our Corporate Responsibility Committee Chair, and Dr Jesse Goodman, who chairs our Science Committee, also provided overviews of the work of their respective Committees during the year.

The Annual Governance Meeting was well received and a number of thoughtful and incisive questions were asked of the Board members present on GSK's R&D capabilities, strategy and the plans for separation of the Group. Listening to the views of our shareholders and receiving their feedback provided additional direct insights that were then shared with the rest of the Board at its next meeting.

## Responsible leadership continued

### Annual General Meeting

All shareholders are invited to attend our Annual General Meeting, which will be held in May 2020 at the Sofitel London Heathrow Hotel. See further details on page 291.

Our 2019 Annual General Meeting had a good level of attendance and engagement from shareholders, which provided helpful insights to the Board on issues concerning them. All our proposed resolutions were approved by shareholders.

The level of support ranged from 88% to 99%. The full voting outcomes are available on GSK.com. Our Annual General Meeting provides an opportunity for all shareholders to put questions to our Board and the Chairs of each of our Board Committees during the formal proceedings, while providing shareholders with the chance to meet informally with our Directors who make themselves available before the meeting.

### Workforce engagement

We described on page 90 of last year's Annual Report why the Board had chosen to designate Dr Vivienne Cox as our Workforce Engagement Director to gather the views of our people. The Board believed this would provide the most direct and effective form of engagement for GSK. Vivienne is pleased to share below views on her inaugural year in the role.

The Board also takes the opportunity to engage with employees directly via receptions held around Board meetings. Our Non-Executive Directors also attend internal meetings and visit Group sites and report back on their findings.

### Workforce Engagement Director

It is a year since the Board appointed me to this role. I have learned a great deal from the rich dialogue that I have enjoyed in meeting with a variety of our enthusiastic and dedicated employees.

I started with a comprehensive briefing on the Group from the Head of Human Resources perspective. I then agreed to make visits to employees who work at each of our principal businesses. This has allowed me to gain an understanding of our workforce's views and attitudes on a range of meaningful issues, such as our IPT priorities, the culture shift underway in the organisation, our ways of working, our employee surveys and One80 manager feedback accountability, our approaches to Global health and the Modern employer agenda and also importantly to the eventual separation of the Group to create two new companies.

I am grateful to be assisted by the Head of Human Resources and the Company Secretary in devising a programme which consisted of visits to three key GSK sites which have given me exposure across the Group in countries where the company has a significant presence:

- R&D – Upper Providence in Pennsylvania, USA, one of GSK's major pharmaceutical R&D hubs;
- Vaccines – Wavre, Belgium; and
- Consumer Healthcare – Warren site in New Jersey, where I met with cross sections of the new workforce (including former Pfizer employees) in the new Joint Venture business.

The local management who welcomed me at these sites, did a great job of introducing me to members of the workforce, explained the nature of the sites' operations and enabled me to hold direct, open and honest conversations. Meetings were held without management present, both individually and in group settings, to gain insights into the workforce experiences, concerns and perspectives. This was done partly through the use of 'Let's Talk' – a GSK initiative whose use is discussed on page 35 of the Annual Report – it encourages the workforce to talk and share different points of view in an informal setting.

We were careful to ensure that I could engage with a diverse cross-section of the workforce in terms of seniority, gender, ethnicity, tenure of employment and job types. I am pleased that each meeting generated wide-ranging exchanges of opinion and insights.

I have also been pleased to have briefings from HR on the data collected from GSK's employee surveys to understand the feedback they generate against different businesses and employee groupings. This provides helpful insights and is used as an input to determine which locations I visit whether in person or virtually.

There is a standing item on the Board agenda for me to share feedback on the substance of my workforce engagements. The Board uses my reports and those from other Non Executive Directors' visits to GSK sites to measure the progress on the company's Modern employer agenda which focuses on Inclusion and diversity, Employee health and wellbeing and development. During my visits I have noted a clear and consistent support for the Group's strategy and IPT priorities and the commitment to employees to 'Be You, Feel Good and Keep Growing'.

As we work to separate the Group, I will be working to provide a voice for the workforce as an important input for the Board. I am looking forward to developing my role further utilising technology via virtual meetings and using other employee forums to explore their perspectives. I am planning to undertake one event each quarter, which where possible, will align with Board visits or be held virtually. I look forward to reporting progress to you next year.

Finally, I have also enlisted input and feedback from my fellow Non-Executive Directors who are also active in visiting GSK sites and meeting employees, so that we can continue to build a more holistic view of perspectives and sentiment of our workforce across the Group.

### Dr Vivienne Cox

Non-Executive Director

## Responsible leadership continued

This table sets out a list of principal decisions taken by either the Board or its Committees during 2019 and the regard to stakeholder interests and impacts.

Decisions	How Board/Committee has had regard to stakeholder interests	Stakeholder groups and other section 172 duties considered	Principal decision made by the Board and Board Committees
<b>Sales force incentive (SFI) programme</b>	<p>The Audit &amp; Risk Committee considered and recommended to the Board changes to our SFI programme in certain countries to reflect the growing shift in GSK's portfolio to certain innovative Specialty Care products, including oncology.</p> <p>In particular, it examined the value of these changes as a means of:</p> <ul style="list-style-type: none"> <li>– attracting and retaining the best sales force talent;</li> <li>– enhancing the quality of our dialogue with healthcare professionals (HCP); and</li> <li>– helping the company to better serve patients.</li> </ul> <p>The Committee also stipulated the implementation of robust governance arrangements to underpin these changes that uphold our ethical and values-led approach to HCP engagement.</p>	<p><b>Stakeholders:</b> HCPs and medical experts, employees, investors, governments and regulators, patients and consumers</p> <p><b>Other s172 duties:</b> Long-term results, our workforce, business relationships and reputation</p>	<p>The Committee recommended the implementation of these limited SFI programme changes to the Board for approval.</p> <p>To safeguard key stakeholder interests, the new SFI programme is being implemented in controlled phases across markets. A review of the robustness of the programme's governance arrangements will be presented to the Committee later in the year.</p> <p>Further details are available on page 97.</p>
<b>Business development and collaborations</b>	<p>The Science Committee and the Board has reviewed several business development deals and collaborations during the year. These have included the collaborations with Lyell Immunopharma and The University of California, to help GSK obtain competitive advantage, by adding pipeline optionality and enabling us to gain access to key technologies.</p> <p>These arrangements were considered in the context of their promise to help GSK deliver transformational medicines to patients and the capabilities and talent being made available to the company.</p>	<p><b>Stakeholders:</b> Patients and consumers, employees and investors</p> <p><b>Other s172 duties:</b> Long-term results, the workforce and our business relationships</p>	<p>The Science Committee recommended these collaborations from a scientific perspective prior to the Board approving them.</p>
<b>ESG Insights</b>	<p>The Corporate Responsibility Committee received and considered a perception study with investors specifically interested in the ESG aspects of our activities, to better understand the rapid rise in interest by investors in this area and their chief concerns.</p> <p>The Committee noted and discussed investors' desire to see sustained delivery of our Trust commitments and increased reporting aligned to both the Sustainability Accounting Standards Board (SASB) and the Taskforce on Climate-related Financial Disclosures (TCFD).</p>	<p><b>Stakeholders:</b> Investors, governments and regulators, non-governmental organisations and multilateral organisations</p> <p><b>Other s172 duties:</b> Long-term results, our business relationships, the community and our environment and reputation</p>	<p>The Committee decided to include SASB disclosures in the company's 2019 ESG Performance Summary available on GSK.com, and make its first voluntary TCFD disclosure in the Annual Report (see page 46).</p> <p>The Committee raised with the Remuneration Committee Chair and the Remuneration Committee the increasing importance of demonstrating the link between ESG performance and our remuneration outcomes for Executive Directors and the CET. The Remuneration Committee noted the importance of stressing the link between ESG and the delivery of GSK's bonus awards for the Executive Directors. It was agreed that, in devising the new remuneration arrangements for the two businesses post separation, it would look more holistically at how it could highlight further and incentivise the importance of ESG to the success of the business and to minimise its impact on the environment.</p>

## Responsible leadership continued

Decisions	How Board/Committee has had regard to stakeholder interests	Stakeholder groups and other section 172 duties considered	Principal decision made by the Board and Board Committees
<b>Board governance and architecture</b>	The Board engaged No 4 to undertake an external evaluation that included a review of our governance and Board architecture.	<b>Stakeholders:</b> Employees, investors, patients and consumers <b>Other s172 duties:</b> Long-term results and reputation	The Board agreed changes to its governance and architecture to improve further Board effectiveness and support management to be as effective and efficient as possible in delivering the transformation of the Pharmaceuticals and Vaccines business and the separation of the Consumer Healthcare business.  Further details are available on pages 76 to 78.
<b>Remuneration policy review</b>	Prior to developing the new 2020 Remuneration policy (the new policy), on behalf of the Remuneration Committee, the Chair met with the Head of Human Resources and the HR leads for each area of the business to hear their views on remuneration arrangements at GSK and consider further executive and wider workforce pay alignment opportunities.  The Chair consulted with investors and proxy advisers on the new policy proposals and the Committee then following the engagement, carefully considered the feedback before finalising the design of the new policy.	<b>Stakeholders:</b> Employees, investors, governments and regulators, and proxy advisers <b>Other s172 duties:</b> Long-term results, our workforce and reputation	The Committee approved the new policy, which is subject to a binding shareholder vote at our 2020 Annual General Meeting and includes measures to align our Executive Directors' pension arrangements with those of the wider workforce. This has been a specific area of focus for investors and proxy advisers.  Further details are available on pages 116 to 118.

## Responsible leadership continued

## 2019 Board programme

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

Areas of focus		Long-term priorities link
<b>Strategy</b>	<b>The Board's oversight of the execution of our strategy included:</b>	
	- Receiving and discussing reports from our three principal businesses: Pharmaceuticals, Vaccines and Consumer Healthcare	I P T C
	- Holding joint Board and CET strategy day to discuss IPT priorities against external landscape changes, business performance, competitors and governance arrangements	I P T C
	- Receiving the CEO, CFO and CSO quarterly reports	I P T C
<b>Performance</b>	<b>The Board's focus on performance included:</b>	
	- Evaluating the CEO's 2018 performance and setting her 2019 objectives	I P T C
	- Setting, reviewing and agreeing the annual budget & plan and forward looking three year forecast	P T
	- 2019 annual talent & succession plan	I P T C
	- Scrutinising the Group's financial performance	P T
	- Reviewing the quarterly financial results, dividend proposal, earnings guidance, investor materials and results announcements	P T
	- Confirmation of the Viability statement and going concern	P T
	- Approval of the statutory accounts	P T
<b>Governance</b>	<b>The Board's approach to discharging its corporate governance duties included:</b>	
	- Receiving reports from Board Committees	T
	- Receiving reports from the External Auditor	P T
	- Chairman succession & appointment of the new Chairman	I P T
	- Approving the 2018 Annual Report and Form 20-F	T
	- Reviewing Annual General Meeting preparation and approving the 2019 Notice of the Annual General Meeting	T
	- Calling a General Meeting to approve the Joint Venture with Pfizer Inc., and overseeing the execution of the deal	T
	- Receiving reports on corporate governance and regulatory developments and receiving the Secretary's report	T
	- Considering observations and agreeing actions from the evaluation of the Board's performance	P T
	- Annual setting of the Board's priorities	I P T C
	- Approval of the Modern slavery statement	T
	- Approval of the Gender pay gap disclosure	T
	- Receiving the Annual quality update	T C
	<b>Cultural transformation</b>	- Receiving cultural transformation updates
<b>Engagement</b>	<b>The Board's regard for stakeholder impacts included:</b>	
	- Reviewing the Board governance architecture	I P T C
	- Receiving updates from the Workforce Engagement Director	I P T C
	- Reviewing employee survey results updates	I P T C
	- Corporate reputation research review	I P T C
	- Investor perception research review	I P T C

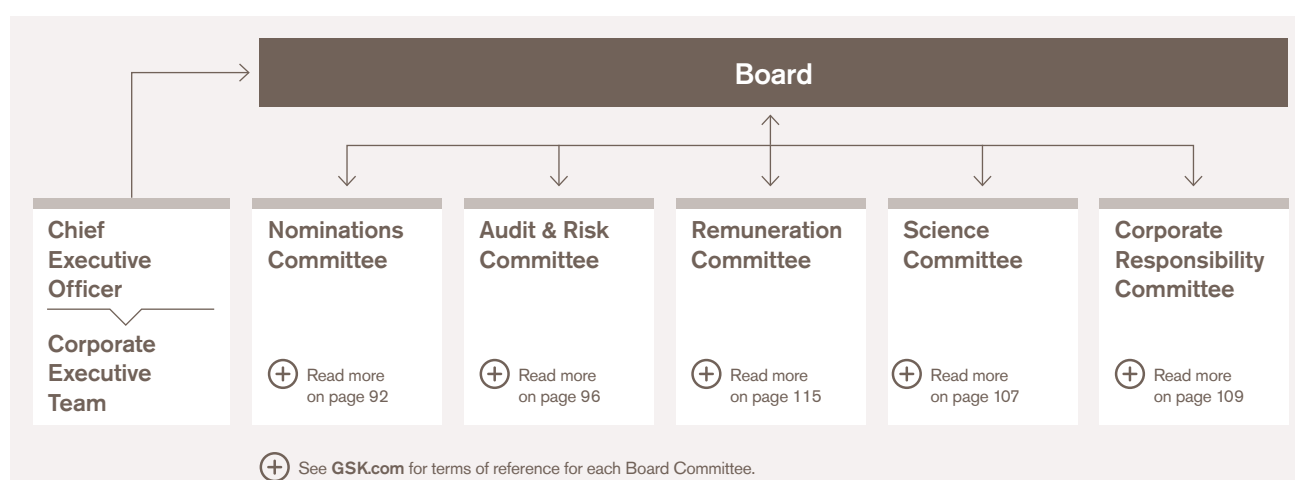
Link to long-term priorities Innovation **I** Performance **P** Trust **T** Culture **C**

# Division of responsibilities

## Corporate governance framework

The corporate governance framework in operation during 2019, which was established by the Board, is set out below. It was designed to clearly define responsibilities and accountabilities. The framework is designed to safeguard and enhance long-term shareholder value and to provide a platform to realise the Group's strategy through GSK's long-term priorities of IPT, that is consistent with its culture, values and expectations. Our internal control and risk management arrangements, described on pages 105 to 106 and 43 to 48, are an integral part of our governance framework.

Following the 2019 Board review, GSK's Board governance and architecture were reviewed and enhanced further. A summary of the changes to be introduced following the review, is provided in the Chairman's statement on pages 76 and 77.



### Scheduled Board and Committee attendance during 2019

	Board	Nominations	Audit & Risk	Remuneration	Science	Corporate Responsibility
<b>Total number of scheduled meetings</b>	6	6	6	5	3	4
<b>Members</b>	<b>Attended</b>	<b>Attended</b>	<b>Attended</b>	<b>Attended</b>	<b>Attended</b>	<b>Attended</b>
Sir Jonathan Symonds	2 (2)	2 (2)				
Emma Walmsley	6					
Iain Mackay	6					
Dr Hal Barron	6					
Vindi Banga	6	6	6	5		
Dr Vivienne Cox	6			5		4
Lynn Elsenhans	6	6	6			4
Dr Laurie Glimcher	6		6		3	
Dr Jesse Goodman	6				3	4
Judy Lewent	6	6	6	5	3	
Urs Rohner	6			5		
Sir Philip Hampton Retired on 31 August 2019	4 (4)					
Simon Dingemans Retired on 8 May 2019	3 (3)					
<b>Number of ad-hoc meetings</b>	<b>15</b>	<b>1</b>	<b>6</b>	<b>6</b>	<b>2</b>	<b>2</b>

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

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



## Division of responsibilities continued

### Clear division of Board roles and responsibilities

#### Leadership

##### Chairman

#### Jonathan Symonds

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

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

##### Chief Executive Officer

#### Emma Walmsley

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

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

#### Independent oversight and rigorous challenge

##### Non-Executive Directors

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

##### Independence statement

The Board considers all of its Non-Executive Directors who are identified on pages 79 to 81 to be independent after being assessed against the circumstances set out in Provision 10 of the 2018 Code. The review and explanation of the continuing independence and commitment of Judy Lewent, who will after 1 April 2020 have served on the Board for over nine years, is described on page 77.

##### Senior Independent Director

#### Vindi Banga

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

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

##### Company Secretary Victoria Whyte

- Secretary to the Board and all Board Committees
- Supports the Board and Committee Chairs in annual agenda planning
- Ensures information is made available to Board members in a timely fashion
- Supports the Chairman in designing and delivering Board inductions
- Coordinates continuing business awareness and training requirements for the Non-Executive Directors
- Undertakes internal Board and Committee evaluations at the request of the Chairman
- Advises the Directors on Board practice and procedures, and corporate governance matters
- Chairs the Group's Disclosure Committee
- Operates a Board-approved appointments policy that reflects the Board and external appointment requirements of the 2018 Code
- Is a point of contact for shareholders on all corporate governance matters.

# Composition, succession and evaluation

## Nominations Committee report

### Jonathan Symonds

Nominations Committee Chair

#### Role

The Committee reviews and recommends to the Board:

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

#### Membership

Committee members	Committee member since
Sir Jonathan Symonds – Chair from 1 September 2019	1 September 2019
Vindi Banga	1 January 2016
Lynn Elsenhans	27 January 2015
Judy Lewent	8 May 2014
Urs Rohner	1 January 2017
Philip Hampton (Former Committee Chair)	27 January 2015 until 31 August 2019

⊕ Details of the Committee members' skills and experience are given in their biographies under 'Our Board' on pages 79 to 81. See page 90 for Committee member attendance levels.

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

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

#### Advisory services

During the year, Egon Zehnder and Korn Ferry provided recruitment consultancy services to the Committee, in addition to recruitment and HR services which they provide to the company. Egon Zehnder provides executive coaching services to certain Directors. The Committee supports the engagement of executive search firms, such as Egon Zehnder and Korn Ferry, who have signed up to the Voluntary Code of Conduct on gender diversity and best practice. Egon Zehnder and Korn Ferry, with a number of other executive search firms, received accreditation in 2019 under the Enhanced Code of Conduct, for meeting exacting performance criteria and best practice standards in gender-balanced selection for FTSE 350 boards.

I am pleased to present my first report as Nominations Committee Chair.

During the year, the focus of the Committee was on Chairman succession. Our SID, Vindi Banga led the process that resulted in my appointment and his report on this process is outlined on page 94. I will comment on the other work of the Committee this year.

#### Board changes

Since I joined the Board, the Committee has focused on the search for Judy Lewent's successor as Chair of the Audit & Risk Committee. We have made good progress and look forward to reporting the conclusion of our search in due course.

The Committee appointed Egon Zehnder and Korn Ferry to assist with this appointment. Broad selection criteria were used focusing on potential candidates with the following characteristics:

- someone ideally from the pharmaceuticals industry;
- a strong preference for a former CFO and/or candidates with audit committee experience to broaden the diversity of the talent pool being sought; and
- ideally, a qualified accountant.

The Committee also considered the ideal transition for this important role and was very pleased when Judy Lewent agreed to remain in post for a further year, despite her nine years of service, before stepping down from the Board at the 2021 Annual General Meeting. This will help facilitate a smooth transition, especially given the recent change of CFO and auditor and the work underway to transform and separate the Group. The Committee was mindful that the 2018 Code indicated that Non-Executive Directors should not serve for more than nine years. However, after engagement with shareholders, it recommended to the Board this was the most appropriate way to proceed in the long-term interest of shareholders. The Board confirmed that, despite her nine years' service, Judy continues to demonstrate the characteristics of independence in carrying out her role on the Board.

Iain Mackay started his role of Chief Financial Officer from 1 April 2019 after being appointed to the Board in August 2018. He joined the Board on 14 January 2019 and was elected at the Annual General Meeting on 8 May 2019. Simon Dingemans retired from the company following the same Annual General Meeting, following eight years of service as Chief Financial Officer. The process the Committee followed for Iain Mackay's recruitment was described in last year's report.

## Composition, succession and evaluation continued

### Nominations Committee report continued

#### CET succession

During the year, the Committee reviewed the following internal senior executive appointments to the CET on the recommendation of the CEO.

- Diana Conrad was appointed SVP, Human Resources in April 2019, succeeding Claire Thomas who had performed the role for over 10 years.
- Sally Jackson was appointed to the expanded role of Senior Vice President, Global Communications and CEO Office and joined the CET in March 2019.
- Deborah Waterhouse, CEO of ViV Healthcare, joined the CET in January 2020.

#### Board composition, tenure and diversity

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

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

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

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

In support of promoting the long term success of the company, the Committee is responsible for developing measurable objectives to assist the implementation of the Board's diversity policy, including gender and ethnic diversity, and monitoring progress towards the achievement of these objectives. Our diversity policy is in line with the measurable targets set out in the:

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

Progress towards our female 'Board representation' and 'Combined Executive Committee and Direct Reports' targets of at least 33% by 2020 was published in the FTSE Women Leaders 2019 report, which is reproduced below:

2019 Report Female Representation Metrics	Female Representation as at 30 June 2019			
	Board	(2018)	Combined	(2018)
<b>2020 FTSE 100 target</b>	<b>33.0%</b>		<b>33.0%</b>	
<b>GSK</b>	<b>45.5%</b>	<b>(45.5%)</b>	<b>38.1%</b>	<b>(32.5%)</b>
FTSE 100	average	32.4%	28.6%	(27.0%)
	highest	50.0%	61.3%	(47.0%)

As at the date of this Report we have 45.5% women on our Board (2018 – 41.7%) and 33.3% women on our CET (2018 – 21%).

Closing this gap between the Board and CET gender representation and further increasing the pipeline of female direct reports to the CET to achieve our 2020 target, was a particular area of attention. We are pleased that good progress has been made, such that at this stage we have exceeded our 2020 target on 'Combined Executive Committee and Direct Reports'. The representation of women in management positions at GSK is illustrated on page 36, as part of the gender diversity of GSK's global workforce.

We are also pleased to report that we are in line with the Parker Report's recommendation.

The Committee met with all Non-Executive Directors present to receive and consider the succession plans for management and the Executive Directors to ensure a diverse pipeline of potential successors was available. The Committee also regularly reviews succession planning for Non-Executive members of the Board.

#### Committee evaluation

The Committee's annual evaluation exercise was externally facilitated by No 4, who interviewed Committee members on my behalf. It was concluded that the Committee continued to operate effectively.

It was agreed that the Committee's role should be expanded to encompass Corporate Governance matters, therefore freeing more time at the Board. The Committee will therefore be renamed the Nominations & Corporate Governance Committee. In addition, all Non-Executive Directors will be invited to participate in meetings of the Committee when it considers succession and talent.

#### Sir Jonathan Symonds

Nominations Committee Chair

3 March 2020

## Composition, succession and evaluation continued

### Chairman succession report

#### Chairman succession

At the beginning of 2019, we announced that Sir Philip Hampton had informed the Board of his intention to step down as Chairman but would continue in his role until a new Chairman was selected and joined the Board. This was a good time for a transition as the company was delivering improved operating performance and had developed a clear new strategy for the next few years.

The selection process was led by myself as the Board's SID. The Nominations Committee was expanded to comprise all Non-Executive Directors and supported by the Head of Human Resources and the Company Secretary. In addition, I sought input from the CEO, Emma Walmsley during the process, as appropriate.

The Committee began by developing and agreeing a job specification for the role of Chairman which included the skillset, experience and key leadership characteristics required to lead the GSK Board through the next stage for the company. We engaged Egon Zehnder and Korn Ferry, both of whom specialise in the recruitment of high calibre Chairs and Board Directors. Using both firms ensured that the process would be a truly global search and embrace as broad a talent pool as possible. Their work was validated from time-to-time to ensure that there were no gaps in the search process and that the committee was receiving the best possible market advice for this key appointment.

The job specification emphasised that the new Chairman would lead the Board through the Company's next phase of development which would involve:

- continuing to drive GSK's strategy of building a sustainably growing Pharmaceuticals and Vaccines business by strengthening R&D delivery and the pipeline; consolidating the Tesaro acquisition; and undertaking further business development;
- successfully integrating the Pfizer Consumer Healthcare business into the GSK Consumer business; whilst completing the divestment of Horlicks in India. This would thereby prepare the company for the creation of two separate listed entities, with separate governance structures for Pharmaceuticals, Vaccines and Consumer Healthcare;
- whilst continuing to improve the company's operating performance;
- it was envisaged that the Chair would remain with the GSK Pharmaceutical & Vaccine company to provide appropriate stability and continuity. This was subject to performance and to be ratified by the Board at the appropriate time.

The following key personal attributes were identified in the job specification:

- proven, respected Chair or a senior executive with considerable non-executive director (such as a Senior Independent or Lead Independent Director) experience in businesses of scale and complexity;
- experience of the UK capital markets with an appreciation of US and other international shareholders;
- good understanding of UK corporate governance;
- experience of businesses with significant portfolio change including mergers, acquisitions and divestments;
- experience with global scale and international markets;
- life sciences experience was preferable, but not mandatory;
- experience of a regulated industry;
- reputation, stature and authority to command respect both externally and internally.

Whilst deciding the job specification described above, I also engaged with several shareholders and advisers and secured their input and advice.

The pool of suitable candidates began with a long list; after due consideration this was reduced to a short-list. Briefing reports on the shortlisted candidates were reviewed, after which the candidates met with myself and other Board members.

This process resulted in the Nominations Committee believing that Jonathan Symonds was the most suitable candidate to be GSK's next Chairman. On 23 July 2019, in accordance with the Nominations Committee's terms of reference and good governance, I chaired a meeting that recommended Jon's appointment as a Non-Executive Director and the next Chairman. I also chaired a Board meeting on the same day (with Sir Philip being recused) at which this recommendation was approved unanimously. On 24 July 2019, I was pleased to announce that Jon would join the Board as Non-Executive Chairman with effect from 1 September 2019. Sir Philip stepped down from the Board with effect from 31 August 2019.

Jon met the independence requirements set out in the 2018 Code on appointment. As required by the Board-approved external appointments policy, his significant existing commitments, with an indication of time involvement, were disclosed and taken into consideration prior to his appointment. The Board noted in particular that Jon would step down from his role as Deputy Chair and Director of HSBC on 18 February 2020.

The Board was pleased to welcome Jon, who has exceptional experience in life sciences, and in the financial management and governance of complex, regulated global companies. Throughout his career Jon has demonstrated a passion for science and is known for his integrity and professionalism.

#### Vindi Banga

Senior Independent Director

## Composition, succession and evaluation continued

### External evaluation of the Board

Details of the 2019 independent external evaluation of the Board conducted by No 4 are set out on page 78.

#### Progress on 2018 Board evaluation

Progress against the conclusions of the 2018 Board evaluation review is set out below.

Areas of focus for 2018	Progress/Achievements
<p><b>Succession planning for the Board</b></p> <p>The SID was running the search process for the next Chairman supported by a global executive search firm. Attendance at the Nominations Committee for this process was expanded to include all Non-Executive Directors.</p> <p>The Nominations Committee has also been progressing the search for a successor for Judy Lewent, the Chair of the Audit &amp; Risk Committee.</p>	<p>The comprehensive process led by the SID resulting in the appointment of Jonathan Symonds is described by the SID on page 94.</p> <p>The Nominations Committee has also focused on the search for Judy Lewent's successor. Good progress has been made to date. Details are given on page 77.</p>
<p><b>Oversight of R&amp;D and pipeline revival and key business development transactions, and the proposed Consumer Healthcare joint venture with Pfizer</b></p> <p>The Board would continue to monitor the performance of R&amp;D, the pipeline and the integration and operation of the key business development transactions including: Tesaro, 23andMe, Merck KGaA, Darmstadt, Germany. It would also be reviewing and overseeing arrangements for the proposed Consumer Healthcare joint venture with Pfizer.</p>	<p>The Board and its Committees have monitored and overseen the successful integration and operation of the recent transactions.</p> <p>The Board was also pleased to oversee the early completion of the Consumer Healthcare joint venture with Pfizer. It will continue to monitor management's progress in integrating and growing the business.</p>
<p><b>Building Board relationships and culture in line with the CEO's culture work across the Group</b></p> <p>Continuing the evolution of the Board's culture and building relationships as the membership changed, was an important area of focus especially with the impending Chairman succession.</p>	<p>The good progress being made in evolving the Board's culture is noted in the 2019 Board review undertaken by No 4. See page 78.</p>
<p><b>Further enhancing the Board's decision-making and ways of working</b></p> <p>Opportunities to further enhance the Board's decision-making and ways of working would continue to be considered to ensure that the Board can operate as effectively as possible.</p>	<p>The implementation of agreed enhancements to the ways of working and governance architecture of the Board and its Committees are described by the Chairman in his Governance statement on pages 76 and 77.</p>

# Audit, risk and internal control

## Audit & Risk Committee report

### Judy Lewent

Audit & Risk Committee Chair

### Role

The Committee reviews and is responsible for:

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

### Membership

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

⊕ Details of the Committee members' financial, accounting or scientific experience and expertise are given in their biographies under 'Our Board' on pages 79 and 81. See page 90 for Committee member attendance levels.

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

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

In accordance with the FRC's 2018 Code, the Board has determined that Judy Lewent has recent and relevant financial experience. The Board has also agreed that she has the appropriate qualifications and background to be an audit committee financial expert as defined by the Sarbanes-Oxley Act of 2002, and has determined that she is independent within the meaning of the Securities Exchange Act of 1934, as amended.

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

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

### Financial reporting

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

The Committee's position has always been to aim for clear and transparent financial disclosure in GSK's financial reporting and to support a proactive approach that is in step with or ahead of guidance and requirements from regulators. In line with prior years, the Committee continued to review compliance with the latest guidance.

The Committee and the auditor discuss the significant issues in relation to the financial statements that the Committee considers periodically through the year and areas of particular audit focus and the outcomes of these overlapping areas of attention are disclosed separately on pages 154 and 165 of the Annual Report.

### Audit reform and our external auditors

Reviews of the external audit industry have acknowledged that a diversity of stakeholders make use of a company's audited accounts and statements and that poor quality audits can have significant negative repercussions upon the economy and society as a whole (albeit that an auditor's responsibility in law is only to shareholders as a whole). Associated reform of the external audit market is therefore an area of regulatory development that the Committee is monitoring closely.

Another key activity of the Committee is to monitor the performance of Deloitte. 2019 was the second year Deloitte served as GSK's external auditor. There was an extensive change management process, including a formal handover and observation of the previous auditor before Deloitte took over. An 'After Action Review' of Deloitte's first audit was completed, as part of which approximately 120 key members of management were interviewed to gather feedback with respect to Deloitte's first audit.

## Audit, risk and internal control continued

### Audit & Risk Committee report continued

Learnings and efficiencies identified in the After Action Review were incorporated into the 2019 Audit Plan. Objectives for the 2019 audit were set, agreed and continue to be monitored by the Committee. Further information on the effectiveness of this year's audit process is given on page 102.

The Committee discussed with Deloitte examples of how the use of analytical tools and insights have supported and improved the efficiency and effectiveness of its audit work.

#### Business development transactions

Oversight of the Tesaro transaction and the Consumer Healthcare JV with Pfizer has been a key priority for the Committee, given the importance of the success of these transactions to accelerate the Group's strategy and reshape our business. The Committee has received regular reports on the integration and management of Tesaro. This has included reviewing the R&D risks of the deal itself, and monitoring the known operational, compliance and reputational risks, and the associated mitigation plans. The integration across the commercial and medical functions progressed well and was completed with effect from 1 January 2020.

The Committee also exercised responsibility for monitoring and overseeing the Consumer joint venture's risk management and post day one due diligence. Because the JV operates in an extremely competitive and changing environment, the Committee has focused on the management of three enterprise risks that are relevant to the delivery of the joint venture's strategic priorities: commercial practices, supply chain continuity and portfolio ingredient risk.

#### HCP and SFI changes

The Committee has devoted significant time during the year to reviewing the design and governance arrangements that formed part of the HCP engagement policy and the SFI programme changes. The move to the promotion of Speciality medicines, underpinned by the HCP and SFI changes, has been well executed and received positively both externally and internally. However, this presents an increased risk for potential unethical behaviour which is to be comprehensively controlled and mitigated.

At the end of 2019, the Committee received a presentation on the results from an HCP engagement theme review, conducted by Global Ethics and Compliance (GEC) and Independent Business Monitoring (IBM) across 13 markets, covering one third of eligible markets. The review had identified several process learnings which are being embedded across all the markets that are covered by the HCP engagement programme.

The Committee considered in detail the rationale around the limited changes to the SFI programme and the robust governance arrangements underpinning them within the context of GSK's IPT priorities, before recommending the implementation of these policy changes to the Board in May 2019. The new SFI policy is being implemented in controlled phases across markets. The Committee received a report in December 2019 on the outcome of IBM monitoring of both the SFI activities and controls performed by GEC. Managing change to the SFI programme has and will continue to be a significant activity for the Committee, given the potential associated risks. Therefore, GEC is committed to performing a full IBM review of the SFI changes as they gain traction across the markets during 2020 and will present their findings and learnings to the Committee at the end of this year.

Fundamental to the success of the new SFI programme is strong leadership to continue to drive a culture of Performance with Trust, enforced with measured governance controls and zero tolerance for abuse. The Committee regularly monitors and reviews these internal controls and also held a deep-dive session with the leaders of GSK's principal businesses to discuss their individual engagement, accountabilities and views on balancing Performance and Trust priorities in their own businesses.

#### Internal framework for control and risk management developments

Our risk management framework is well embedded and continually reviewed by the Committee. It enables the Board, through the Committee, to identify, evaluate and manage principal risks and is designed to support our Innovation, Performance and Trust priorities and cultural transformation. The framework provides for an effective hierarchy of Risk Management and Compliance Boards (RMCBs) within each of GSK's businesses which promotes the 'tone from the top', establishes the risk culture and oversees the effective cascade and escalation of information regarding our internal controls. Along with GSK's values, expectations and Speak Up processes, it ensures that the risks associated with our business activities are actively and effectively agreed and mitigated and provides reasonable assurance against material misstatement or loss. GEC has conducted an annual confirmation exercise to ensure that our risk management approach is consistent across GSK and to reinforce leadership accountability.

During the year, the Committee considered GSK's risks and the strategies to address them. In doing so, it has drawn on annual business unit risk and strategy papers and also assurance update reports provided by Audit & Assurance (A&A) for GSK's most significant risks, with an annual internal control and risk management effectiveness review from GEC.

## Audit, risk and internal control continued

### Audit & Risk Committee report continued

Each principal risk is overseen by a CET member level risk owner to ensure proportionate controls are in place, with clear plans assigned to address any gaps. The Committee considers both current and emerging risks as part of its oversight of GSK's risk management framework.

Emerging risks are defined as those which are visible to the organisation on a three-year horizon. Emerging risk assessments are performed as part of the remit of the RMCBs at all levels of the organisation. Additionally, an annual analysis of the Political, Economic, Social, Technological, Legal and Environmental (PESTLE) trends from the external environment is performed by the A&A team to identify emerging risk in GSK's known Enterprise risk areas. Each year, the CET and Risk Oversight and Compliance Council (ROCC) conduct a formal risk review to consider emerging risks and whether sufficient information is available to support its inclusion in GSK's principal risks list.

This review is supported by extensive analysis of external trends and insights, senior level interviews and recommendations from GSK's key risk intelligence groups and risk management boards. Based on the 2019 review, the Committee agreed with the CET recommendation to escalate Environmental Sustainability as a standalone principal risk in 2020 given its significance to GSK. This was previously managed as a sub-risk of Environment, Health & Safety and Sustainability. Other risks which will require further focus going forward include transformation, pricing pressures and non-promotional engagement.

**Enterprise risk management enhancements:** The Committee has overseen the embedding by GEC of the new enterprise risk management cycle:

- Enterprise risk plans have been completed for each of our enterprise risks and have been communicated to the businesses and functions for implementation. This has provided greater clarity across the organisation on the nature of our risks and what controls we expect to be in place;
- Businesses and functions have given assurance that they have adopted these enterprise risk plans and only adapted them with the approval of the enterprise risk owner, driving consistency and better oversight;
- A requirement for CET confirmation has been introduced across the Group in the most important risk areas reinforcing leader accountability for risk management and measuring how well the controls set out in the enterprise risk plans have been implemented and any gaps have been addressed; and
- New enterprise risk reports for the ROCC have been introduced with more focus on data and key risk indicators, leading to better informed discussions on risk exposure and actions needed.

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

**Pharmaceuticals:** Along with the embedding of the HCP engagement model as noted above, General Manager confirmation, which forms a component of the CET confirmation process, continues to be an important review of risks and mitigation plans that allows detailed area and regional oversight. The 2019 confirmation allowed for targeted discussions at RMCBs with a better understanding of the deployment of operating model changes, mitigation actions and accountability for local control efforts.

**Vaccines:** During the year, the Vaccines business has worked to increase the ICF maturity and improve effectiveness of its RMCBs. A new R&D governance model has been built around principles of faster decision making and a smart risk-taking approach. Vaccines has continued to perform comprehensive asset risk assessments complementing the implementation of the new enterprise risk management framework.

**Consumer Healthcare:** To better understand risks in-country a Country Risk Radar has been launched which helps to proactively identify higher risk countries by looking at culture, commercial KPIs and qualitative aspects. It provides judgement to where specific action plans are necessary to mitigate risk. An improved management monitoring toolkit was also developed to support General Manager self-assessments and to enhance control maturity.

A Consumer Healthcare distribution activity risk management framework has been developed to allow markets to understand the distributor activity risk dependent on the type of services delivered by the service provider. The tool provides guidance on expected controls to manage the risk which will be implemented globally by the end of March 2020.

**ViiV Healthcare:** One particular area of focus for ViiV has been further improving the effectiveness of RMCBs, driving robust risk discussion, clear risk owner accountability and proportionate risk mitigation.

### Monitoring and compliance activities

Monitoring is a key part of our ICF. During 2019, GEC continued to mature its IBM framework for ABAC and Commercial practices risks. IBM is conducted across the enterprise with a significant focus on prioritising the monitoring of our highest risk activities and risk markets for review. In 2019, GEC has led over 70 IBM market visits across GSK's principal businesses. The maturity of GSK's IBM programme helps provide greater confidence that issues are being identified and therefore addressed earlier.



## Audit, risk and internal control continued

### Audit & Risk Committee report continued

#### GSK Values & Expectations

GSK's Values and Expectations are a high priority for the Committee. The A&A team conducted 18 Values Assurance Reviews (VARs) during 2019 to assess how well GSK's values and expectations are embedded in the organisation. Insights from the VARs have identified two continuing areas of focus: creating an environment where people are comfortable speaking up about issues and challenging the status quo; and raising awareness of GSK's expectations and helping people understand what they mean in the context of their roles.

**Living our values and expectations:** This year, the mandatory training strategy was focused on simplifying the key messages and behaviours that GSK wanted to communicate by compressing the training into smaller pieces to facilitate learning and retention, and through driving conversations between employees and line managers.

**Data Analytics:** Building on existing capabilities, GEC has established a Data analytics workstream which focuses on developing market-level Key risk indicators that are designed to signal where there may be potential issues in a business activity, and improving the quality of GEC data so it can be used to provide actionable insights to assist the business further in mitigating risk.

#### Monitoring of technology and InfoProtect

The Committee continues to monitor the effectiveness of risk management and internal control over the use of new technologies that impact the Financial controls and reporting enterprise risk. Given the fast pace of technological development, including the ability for new technologies to perform tasks traditionally undertaken by humans, the Committee considered in particular the impact of robotics and artificial intelligence.

Our Finance function aims to improve performance and efficacy, reduce costs and manage risk better by optimising the use of technology. GSK continues to develop cloud applications, robotics, visualisation tools and advanced analytics. Governance frameworks are in place to ensure that new technology is assessed, developed, piloted, deployed and monitored in a controlled manner.

**InfoProtect:** In recognising the potential impacts of a continuously evolving environment and the complexity of GSK's footprint on this key enterprise risk, the Committee will now receive quarterly updates on information security. The Committee is also overseeing the introduction by our Chief Information Security Officer of an industry standard framework for monitoring and reporting on information security at GSK.

#### Committee evaluation

The Committee's annual evaluation was externally facilitated by No 4, who interviewed Committee members on my behalf. It was concluded that the Committee continued to operate effectively. In terms of enhancements to the Committee's deliberations the following improvement points were agreed:

The Committee should continue to have a strong focus on financial reporting, as well as monitoring the dashboard of all GSK's enterprise risks and the process by which they are identified and prioritised. Following the review of the Board's governance and architecture, the Committee will conduct more detailed reviews of GSK's Financial controls and reporting, Anti bribery and corruption practices, Commercial practices, Privacy and Information security enterprise risks. Detailed review of GSK's other enterprise risks will be undertaken by the Board Committee focused on that aspect of the business most closely. In addition, the Committee will be responsible for oversight of the financial components as we work towards separation.

#### Audit & Risk Committee Chair succession

I am approaching the end of my tenure on the Board. However, to facilitate a smooth transition to my successor, I have agreed to stay on the Board for a further year until the 2021 Annual General Meeting, subject to my re-election at the Annual General Meeting in May 2020. I look forward to working with and handing over to my successor once they are announced.

#### Judy Lewent

Audit & Risk Committee Chair

3 March 2020

## Audit, risk and internal control continued

### What the Committee did during 2019

Areas of Committee focus	Items discussed	Frequency
<b>Financial reporting</b>	– Reviewed integrity of draft financial statements, appropriateness of accounting policies and going concern assumptions	A
	– Considered approval process for confirming and recommending to the Board that the 2018 Annual Report is fair, balanced and understandable	A
	– Reviewed and recommended to the Board approval of the 2018 Annual Report and Form 20-F	A
	– Reviewed and recommended the statutory accounts	A
	– Reviewed major restructuring reports	A
	– Reviewed and recommended approval of quarterly and preliminary results announcements, dividends and earnings guidance	Q
	– Reviewed significant issues in relation to the quarterly and preliminary results	Q
	– Reviewed and approved Directors' expenses	A
	– Reviewed and recommended inclusion of the Viability Statement in the 2018 Annual Report	A
	– Reviewed the Appropriateness of Accounting Policies	Q
	– Reviewed accounting developments and their impacts as well as key accounting issues	P
	– Reviewed the financial reporting framework and disclosure arrangements	P
<b>External auditor</b>	– Performed evidence-based assessment of external auditor and the effectiveness of 2018 external audit	S
	– Considered qualifications, expertise and independence of the external auditor	A
	– Reviewed and approved audit/non-audit expenditure incurred during 2018	A
	– Approved the 2019 audit plan and fee proposal and set performance expectations for auditor for the year	A
	– Considered non-audit services fees for 2019 and the 2020 audit budget	A
	– Considered the auditor's report on the 2018 annual results	A
	– Considered initial results of 2019 external audit	A
	– Considered the external auditor review report, progress report & key judgemental items	A
	– Considered internal controls over financial reporting	P
	<b>Global internal control and compliance</b>	– Reviewed assurance reports from Global Pharmaceuticals (including ViiV, R&D and SFI Programme update), Vaccines and Consumer Healthcare, as well as the Global Support functions
– Confirmed compliance with Sarbanes-Oxley Act		A
– Received litigation reports and updates		P
– Received reports on continuing investigations and on Anti-bribery and corruption issues		A
– Reviewed GSK's internal control framework and controls over financial reporting		P
– Reviewed Audit & Assurance work during 2018 and approved the work plan for 2019		A
– Reviewed the Tesaro Integration Plan		P
– Reviewed General Data Protection Regulation update		P
– Reviewed Internal Audit reports		P
<b>Risk</b>	– Reviewed risk management framework compliance	A
	– Reviewed the risk elements of group treasury, pensions, risk and insurance, and tax policies	A
	– Considered emerging risks	P
	– Received status reports on each of the company's Enterprise Risks (these Risks are disclosed on pages xx and xx)	P
	– Received fraud, site security and cyber security risk assessment updates	P
	– Received ROCC meeting updates	P
<b>Governance and other matters</b>	– Review of the new provisions and confirmation of compliance with the 2018 Code	A
	– Reviewed the Committee's terms of reference and confirmed that they had been adhered to during 2019	A
	– Reviewed reports from the Disclosure Committee	P
	– Reviewed the Committee's performance and effectiveness	A
	– Received corporate governance updates	P
	– Reviewed the Group's Modern Slavery Act statement	A
	– Reviewed the company's gender pay gap disclosures	P
	– Considered the SFI Programme	S
	– Reviewed technology in audit and assurance	P
	– Reviewed the balance between Performance and Trust	A
	– Met privately and separately with the Heads of GEC, A&A and the General Counsel	P
	– Met privately with the external auditor at the end of each meeting, as appropriate	S

**Committee Activity Key**    A Annually    Q Quarterly    P Periodically    S Standing

## Audit, risk and internal control continued

### Significant issues relating to the financial statements

In considering the quarterly financial results announcements and the financial results contained in the 2019 Annual Report, the Committee reviewed the significant issues and judgements made by management in determining those results. The Committee reviewed papers prepared by management setting out the key areas of risk, the actions undertaken to quantify the effects of the relevant issues and the judgements made by management on the appropriate accounting required to address those issues in the financial statements.

The significant issues considered in relation to the financial statements for the year ended 31 December 2019 are set out in the following table, together with a summary of the financial outcomes where appropriate. In addition, the Committee and the external auditor have discussed the significant issues addressed by the Committee during the year and the areas of particular audit focus, as described in the Independent Auditor's Report on pages 154 to 165.

Significant issues considered by the Committee in relation to the financial statements	How the issue was addressed by the Committee
<b>Going concern basis for the preparation of the financial statements</b>	The Committee considered the outcome of management's half-yearly reviews of current and forecast net debt positions and the various financing facilities and options available to the Group. Following a review of the risk and potential impact of unforeseen events, the Committee confirmed that the application of the going concern basis for the preparation of the financial statements continued to be appropriate.
<b>Revenue recognition, including returns and rebates (RAR) accruals</b>	The Committee reviewed management's approach to the timing of recognition of revenue and accruals for customer returns and rebates. The US Pharmaceuticals and Vaccines accrual for returns and rebates was £4.2 billion at 31 December 2019 and the Committee reviewed the basis on which the accrual had been made and concurred with management's judgements on the amounts involved. A fuller description of the process operated in the US Pharmaceuticals and Vaccines business in determining the level of accrual necessary is set out in 'Critical accounting policies' on page 72.
<b>Provisions for legal matters, including investigations into the Group's commercial practices</b>	The Committee received detailed reports on actual and potential litigation from both internal and external legal counsel, together with a number of detailed updates on investigations into the Group's commercial practices. Management outlined the levels of provision and corresponding disclosure considered necessary in respect of potential adverse litigation outcomes and also those areas where it was not yet possible to determine if a provision was necessary, or its amount. At 31 December 2019, the provision for legal matters was £0.2 billion, as set out in Note 31 to the financial statements, 'Other provisions'.
<b>Provisions for uncertain tax positions</b>	The Committee considered current tax disputes and areas of potential risk and concurred with management's judgement on the levels of tax contingencies required. At 31 December 2019, a tax payable liability of £0.8 billion, including provisions for uncertain tax positions, was recognised on the Group's balance sheet.
<b>Acquisitions of Tesaro and Pfizer Consumer Healthcare business</b>	The Committee considered the judgements made by management on the acquisition date valuations of the assets and liabilities acquired, in particular the valuations of intangible assets. The intangible assets acquired with Tesaro were valued at £3.1 billion and with the Pfizer Consumer Healthcare business, £12.4 billion. The Committee concurred with management's valuation judgements. Further details are provided in Note 40 to the financial statements, 'Acquisitions and disposals'.
<b>Impairments of intangible assets</b>	The Committee reviewed management's process for reviewing and testing goodwill and other intangible assets for potential impairment. The Committee accepted management's judgements on the intangible assets that required writing down and the resulting impairment charge of £130 million in 2019. See Note 20 to the financial statements, 'Other intangible assets' for more details.
<b>Valuation of contingent consideration in relation to Viiv Healthcare</b>	The Committee considered management's judgement that the unwind of the discount on the liability was largely offset by updated exchange rate assumptions and adjustments to sales forecasts. After cash payments of nearly £0.9 billion in the year, at 31 December 2019, the Groups' Balance sheet included a contingent consideration liability of £5.1 billion in relation to Viiv Healthcare. See Note 32 to the financial statements, 'Contingent consideration liabilities' for more details.
<b>Viiv Healthcare put option</b>	The Committee reviewed and agreed the accounting for the Pfizer put option and concurred with management's judgement on the valuation of the put option of £1.0 billion at 31 December 2019.

## Audit, risk and internal control continued

### Auditor's re-appointment

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#### External auditor

Following an audit tender process conducted by the Committee which concluded in December 2016, Deloitte's appointment as the auditor of the company and the Group was approved by shareholders at the Annual General Meeting in May 2018.

There were no contractual or similar obligations restricting the Group's choice of external auditor.

The Committee considers that during 2019, the company has complied with the mandatory audit processes and audit committee responsibility provisions of the Competition and Markets Authority Statutory Audit Services Order 2014.

#### Effectiveness and quality of external audit process

The Committee is committed to ensuring on an ongoing basis that GSK receives a high quality and effective audit from its external auditor. In evaluating Deloitte's performance during 2019, prior to making a recommendation on their re-appointment in early 2020, the Committee reviewed the effectiveness of its performance against the criteria which it agreed, in conjunction with management, at the beginning of 2019. The criteria are set out on page 103.

In undertaking this review, the Committee considered:

- the overall quality of the audit;
- the independence of Deloitte; and
- whether they have exhibited an appropriate level of challenge and scepticism in their work.

Because Deloitte had recently been appointed GSK's auditor, its length of tenure was not taken into account when assessing its independence and objectivity. However, the Committee did consider overall how effectively Deloitte had assumed its role as auditor.

Finally, the Committee considered feedback on the 2019 external audit through a survey that sought views from Committee members and the financial management team at corporate and business unit level.

It covered the:

- effectiveness of challenge by the auditor;
- Deloitte's integrity;
- transparency of its reporting to management and the Committee;

- clarity of communication by the auditor and its ways of working;
- alignment of the 2019 audit to the Group's investment in SAP;
- quality of the audit team's leadership; and
- skills and experience of the audit team.

The Committee Chair regularly meets independently with the audit partners. In addition, at the end of each face to face meeting the Committee meets with the auditor to exchange views on progress to date, as appropriate.

Having reviewed all this feedback, and noted any areas of improvement to be implemented in respect of the Audit team for the 2020 audit, the Committee was satisfied with the:

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

The Committee therefore agreed to recommend to the Board the re-appointment of Deloitte at the forthcoming Annual General Meeting.

## Audit, risk and internal control continued

### Auditor's re-appointment continued

The detailed criteria the Committee used for judging the effectiveness of Deloitte as the external auditor and its overriding responsibility to deliver a smooth-running, thorough and efficiently executed audit for 2019 are set out below:

#### Performance expectations for GSK's external auditor 2019

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

## Audit, risk and internal control continued

### Non-audit services

There is a presumption that non-audit services will be provided by other accountancy firms.

However, where the external auditor's skills and experience make them the only suitable supplier of the non-audit service they may be authorised to provide non-audit services (such as audit-related, tax and other services). In accordance with GSK's policy, the Committee ensures that auditor objectivity and independence will be safeguarded by reviewing and pre-approving such services.

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

- **Process:** all non-audit services over £50,000 are put out to competitive tender with financial service providers other than the external auditor, in line with the Group's procurement process, unless the skills and experience of the external auditor make them the only suitable supplier;
- **Safeguards:** ensuring adequate safeguards are in place so that the objectivity and independence of the Group audit are not threatened or compromised; and
- **Fee cap:** ensuring that the total fee payable for non-audit services does not exceed 50% of the annual audit fee, except in special circumstances where there would be a clear advantage in the company's auditor undertaking such additional work.
- The company's policy complies with the FRC's 2016 Revised Ethical Standard and the EU Audit Regulation and the Sarbanes-Oxley Act of 2002. The company's policy contains the following three guidelines:

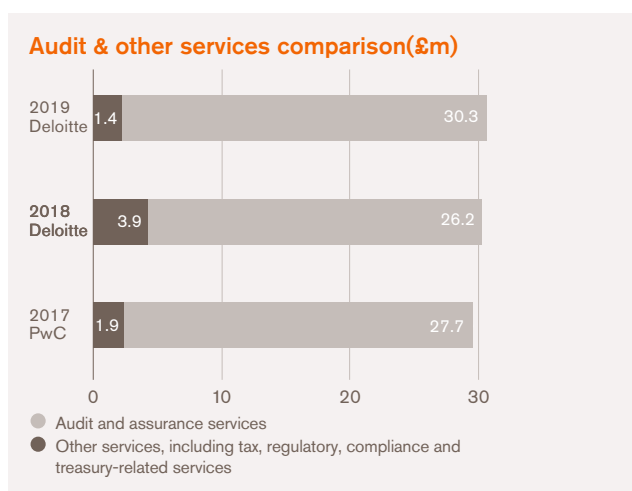
**Fee cap:** there is a cap of 50% of the annual audit fee which is more stringent than the FRC's fee cap set at 70% of the average fees for the preceding three-year period.

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

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

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

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



### Fair, balanced and understandable assessment

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

The Committee received a summary of the approach taken by management in the preparation of GSK's 2019 Annual Report to ensure that it met the requirements of the FRC's 2018 Code. This enabled the Committee, and then the Board, to confirm that GSK's 2019 Annual Report taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy.

#### Code of Conduct and reporting lines

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

## Audit, risk and internal control continued

### Internal control framework

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

The Internal Control Framework (the Framework) is a comprehensive enterprise-wide risk management model and the means by which GSK ensures the reliability of financial reporting and compliance with laws and regulations. The Framework supports the continuous process of the Board's identification, evaluation and management of the Group's principal risks, as required by the FRC's 2018 Code, and is designed to manage the risk of not achieving business objectives.

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

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

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

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

The Committee receives regular reports from business units, principal risk owners, GEC and A&A on areas of significant risk to the Group and on related internal controls. These reports provide an assessment on the internal control environment within each principal risk area, including enhancements to strengthen the control environment. Following the consideration of these reports, the Committee concludes on the effectiveness of the internal control environment and reports to the Board annually. In accordance with the FRC's 2018 Code provisions, the Board, through the authority delegated to the Committee, has conducted a robust assessment of the Group's principal risks. This includes the consideration of the nature and extent of risk it is willing to take in achieving the Group's strategic objectives. The Board, through the Committee, has maintained oversight to ensure the effectiveness of the internal control environment and risk management processes in operation across the Group for the whole year, and up to the date of the approval of this Annual Report.



## Audit, risk and internal control continued

### Internal control framework continued

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

A review of the Group's risk management approach is further discussed in the 'Risk management' section of the Strategic report on pages 43 to 46. Our management of each principal risk is explained in 'Principal risks and uncertainties' on pages 275 to 287. The Group's viability is discussed in the Group financial review section of the Strategic report on page 47.





## Science Committee report

**Dr Jesse Goodman**  
Science Committee Chair

### Role

The Committee:

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

### Membership

Committee members	Committee member since
Dr Jesse Goodman – Chair from 1 January 2017	1 January 2017
Dr Laurie Glimcher	1 September 2017
Judy Lewent	1 January 2017

⊕ Details of the Committee members' skills and experience are given in their biographies under 'Our Board' on pages 79 to 81. See page 90 for Committee member attendance levels.

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

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

I am pleased to present my third report as Chair of the Science Committee (the Committee).

During 2019, the Committee has worked to support the Board and Dr Barron, our CSO, in considering our science, technology and culture as part of the new R&D strategy.

The Committee operated to a programme of activities to help discharge its responsibilities. Items considered included:

- regular updates on our Pharmaceuticals' and Vaccines' assets;
- regular updates on the R&D strategy;
- scientific and technical review of Business deals to strengthen our pipeline;
- oversight of R&D pipeline milestones (including project portfolio governance gates) and progress on R&D goals; and
- progress on R&D's culture and talent.

### Pharmaceuticals R&D

The Committee was pleased to observe Pharma R&D's significant progress in strengthening the pipeline through a focus on the science related to the immune system, the use of human genetics, and other advanced technologies, while creating a culture that fosters an innovative mindset. A new governance model was embedded that centralised key functional capabilities. Changes included a refocus on a smaller number of promising projects and the move away from the Discovery Performance Unit model to three large research units focusing on our priority areas of immunology and genetics. The pipeline continues to evolve with 14 assets progressing or being added, 8 terminations and 3 medicines being approved in 2019, resulting in 39 medicines currently being developed. R&D continues to attract talented individuals to work in and with R&D to help deliver our new approach of Science x Technology x Culture.

### Vaccines R&D

The Committee oversaw significant changes to Vaccines' R&D strategy to secure growth from our existing portfolio and to unlock new and emerging vaccines fields. One of these key changes has been the creation of an integrated Development organisation.

To further develop and maintain a greater insight and understanding of our Vaccines business, I was pleased to visit Wavre in Belgium and Rockville in Washington. During both visits I enjoyed meeting with employees and members of R&D who brought to life the impressive scientific activities being undertaken within Vaccines.

## Science Committee report continued

### Collaborative approach

The Committee was pleased to review from a scientific perspective new key collaborations with strategic partners which will help enable GSK to strengthen its pipeline and gain real advantages for patients and the company. These collaborations will enable us to obtain competitive advantage, by adding pipeline optionality and enable us to gain access to key technologies. These have included:

**Lyell Immunopharma:** GSK entered a five-year collaboration to develop new technologies to improve cell therapies for cancer patients. The collaboration will apply Lyell's technologies to further strengthen and complement our cell therapy pipeline.

**The University of California:** establishing a state-of-the-art laboratory for CRISPR technologies, the Laboratory for Genomics Research. This new laboratory will explore how gene mutations cause disease and develop new technologies using CRISPR to rapidly accelerate the discovery of new medicines. The collaboration will build on GSK's existing collaborations with companies such as 23andMe, which are able to deliver genetic information at scale, improving the probability of R&D success.

### Positive outlook/R&D priority assets & Forward strategy

In addition, the Committee was pleased to note a number of positive developments during the year, which underscore moves towards a promising future outlook for R&D. These have included:

- In 2019 the R&D pipeline achieved 3 major approvals, made 8 submissions, had 6 positive read-outs from pivotal studies and progressed 4 new assets into pivotal studies.
- The pivotal study read-outs included positive data on our key late-stage oncology therapies – *Zejula* for women with ovarian cancer, belantamab mafodotin for patients with multiple myeloma and dostarlimab for patients with endometrial cancer.
- The National Medical Products Administration approved the *Shingrix* vaccine for use in China.
- A large-scale pilot implementation of RTS,S/AS01 *Mosquirix*, the malaria vaccine in Malawi, Ghana and Kenya.

### Committee evaluation

The Committee's annual evaluation was externally facilitated by No 4, who interviewed Committee members on my behalf. It was concluded that the Committee continued to develop well.

Given the critical importance of strengthening the pipeline, the Committee will focus on science at a deeper level to support further the Board's understanding and provide reassurance and guidance. Going forward, the Committee will have three broad objectives:

- that the key scientific assumptions in the company's strategy remain valid;
- technical assurance; and
- risk oversight of our research practices and patient safety enterprise risks.

I look forward to reporting further progress next year.

### Dr Jesse Goodman

Science Committee Chair

3 March 2020

## Corporate Responsibility Committee report

### Lynn Elsenhans

Corporate Responsibility Committee Chair

#### Role

The Committee:

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

#### Membership

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

Committee members	Committee member since
Lynn Elsenhans – Chair from 8 May 2015	1 October 2012
Dr Vivienne Cox	1 July 2016
Dr Jesse Goodman	1 May 2016

⊕ Details of the Committee members' skills and experience are given in their biographies under 'Our Board' on pages 79 to 81. See page 90 for Committee member attendance levels.

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

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

As Chair of the Corporate Responsibility Committee (the Committee) I am pleased to present the Committee's 2019 report.

The Committee forms an important part of the Board's oversight of the company's Trust priority, ensuring the CET is working to deliver long-term value for both shareholders and society.

The Committee has a rolling agenda and receives reports from CET members and senior managers to ensure that actions and progress on the company's commitments are reviewed on a regular basis. This includes monitoring how the company works to engage effectively with a broad range of stakeholders and responds to the high external expectations of GSK as a global healthcare company.

#### Areas of focus in 2019

The Committee has again focused its time on areas that are material to our stakeholders and long-term business success. This year, the work of the Committee included scrutiny on progress against commitments to support the company's Trust priority that are set in the context of external trends and stakeholder expectations. The Committee has reviewed and approved the company's reporting on progress on commitments, which are set out in the Trust section on pages 30 to 42.

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

**Science and technology for global health:** The Committee reviewed areas of most significant progress against the company's new global health strategy, which is led by science and emphasises the importance of sustainable funding models. The Committee discussed sustaining the momentum of the good early progress made to ensure the best outcomes for patients and the company, while acknowledging the commercial and business benefits of investment in this area.

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

**Modern employer:** The Committee reviewed progress of the company's commitments to be a Modern employer which centre on engaged people, inclusion and diversity, health, wellbeing and development. The Committee discussed good progress on gender and LGBT targets, use of the Employee Assistance Programme and the robust deployment of the One80 manager assessment tool, to identify issues and help further improve line management's performance.

## Corporate Responsibility Committee report continued

**Responsible business:** The Committee reviewed the progress made on GSK's commitments to the fundamentals of being a responsible business. This included oversight of our ethics and values, the responsible use of data and scientific engagement. We also reviewed progress on measures to reduce our environmental impact by one quarter by 2030, and emerging environmental risks including plastics usage. The Committee discussed the assessment of the company's plastics footprint and plans to reduce use where possible.

### Stakeholder engagement and insights

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

This year we have continued to enjoy positive engagement with investors on our approach to Performance and Trust. I meet directly with shareholders to understand any issues and concerns they may have and other Committee members also meet informally with shareholders before and after the Annual General Meeting. The Committee also reviewed a perception study with investors interested in the ESG aspects of our activities, to better understand the rising interest of investors in this area and what matters to them. The Committee discussed the perceptions of our strengths in this area, including the management of ESG risks and opportunities, that these are well integrated into our strategy; that the quality of our ESG disclosures is strong. The Committee noted investors desire to see sustained delivery of our Trust commitments and increased reporting aligned to the Sustainability Accounting Standards Board (SASB) and the Taskforce on Climate-related Financial Disclosures (TCFD). The Company has included SASB disclosures in the 2019 ESG Performance Summary available online, and our first voluntary TCFD disclosure is given on page 46.

I have highlighted to our Remuneration Committee Chair the emerging importance of establishing a link between ESG performance and our remuneration outcomes for Executive Directors and the CET.

Finally, the Committee was very pleased to see the company perform well in two key external benchmarks, securing first position in the Dow Jones Sustainability Index for the pharmaceutical industry in 2019, and continuing to hold first position in the Access to Medicine Index since 2008.

### Committee evaluation

The Committee's annual evaluation was externally facilitated by No 4, who interviewed Committee members on my behalf. It was concluded that the Committee continued to operate effectively.

Given the increasing importance of ESG factors, more will need to be done in this regard in the coming years and the Committee was pleased to have the Board's support to progress further its work in this area, in particular in respect of environmental sustainability.

### Committee aims for 2020

Over the next year we will continue to scrutinise and monitor GSK's material Trust topics, including one of management's key priorities to continue building and protecting the company's reputation, with a strong focus on innovation. The Committee considers that the company is well positioned in 2020 to support the continuing delivery of our Trust priority.

### Lynn Elsenhans

Corporate Responsibility Committee Chair  
3 March 2020

### Work of the Committee during 2019

Area of responsibility	Items addressed during 2019
External issues that have the potential for serious impact upon GSK's business and reputation	<ul style="list-style-type: none"> <li>- Health and safety update</li> <li>- Regular reputational and emerging issues update</li> <li>- Oversight of corporate reputation research and KPI</li> <li>- HCP engagement and SFI changes implementation</li> </ul>
Oversight of stakeholder views and engagement	<ul style="list-style-type: none"> <li>- Stakeholder insights update</li> <li>- ESG investor insights</li> <li>- Employee survey</li> <li>- Shareholder meetings</li> </ul>
Annual governance oversight of progress against GSK's responsible business commitments to support Trust	<ul style="list-style-type: none"> <li>- Approval of the Trust section of the Annual Report</li> <li>- Oversight of progress against commitments</li> <li>- Global health strategy</li> <li>- Sustainable access and affordability</li> <li>- Business conduct</li> <li>- Responsible use of data</li> <li>- Modern employer, engagement and culture</li> <li>- Environmental targets</li> </ul>

### Key

HCP	Healthcare Professional
SFI	Sales Force Incentives
ESG	Environmental, Social and Governance

# Section 172 statement

This statement aligns to the section 172 statement requirements contained in Section 414CZA of the Companies Act 2006 (the Act).

This statement focuses on how the Directors have had regard during the year to the matters set out in Section 172(1) (a) to (f) of the Act when performing their duties by incorporating information from other areas of the Annual Report to avoid unnecessary duplication. The Board considers that the statement focuses on those risks and opportunities that were of strategic importance to GSK consistent with the size and complexity of the Group.

In the performance of its duty to promote the success of the company, the Board has regard to a number of matters, including listening to and considering the views of shareholders and the company's other key stakeholders to build trust and ensure it fully understands the potential impacts of the decisions it makes for our stakeholders, the environment and the communities in which we operate.

Engagement with the company's main stakeholder groups, including our patients, shareholders, consumers, customers and employees, at all levels of the organisation and across the enterprise are summarised on pages 15 and 16 of our Strategic report.

The governance architecture and processes that the company operated to ensure that all relevant matters are considered by the Board in its principal decision-making, as a means of contributing to the delivery of GSK's long-term priorities of Innovation, Performance and Trust, are summarised on pages 84 to 88 of our Corporate Governance report.

The table below identifies where in the Annual Report information on those issues, factors and the stakeholders the Board has considered relevant for disclosure in complying with Section 172 (1) (a) (f) of the Act are set out in more detail, given their strategic importance to GSK.

## The Board has had regard to the following matters:

### (a) Long-term results

- the likely consequences of any decision in the long term

## More information:

### Strategic report:

- Our business model (page 1)
- Chairman's statement (page 3)
- CEO's statement (page 4)
- Capital allocation (page 2)
- Our long-term priorities (page 9)
- Key performance indicators (page 11)
- Risk management (page 43)
- Viability statement (page 47)

### Corporate Governance report:

- Responsible leadership (page 84)
- Audit & Risk Committee report (page 96)

### (b) Our workforce

- the interests of the Group's employees

### Strategic report:

- Our business model (page 1)
- Our Culture (page 10)
- Modern employer (page 35)
- Stakeholder engagement (page 15)

### Corporate Governance report:

- Responsible leadership (page 84)
- Workforce engagement (page 86)
- Nominations Committee report (page 92)
- Audit & Risk Committee report (page 96)

### Remuneration report:

- Remuneration Committee Chair's statement (page 116)

### GSK.com:

- Gender pay gap report

## Section 172 statement continued

### The Board has had regard to the following matters:

#### (c) Our business relationships

- the importance of developing the Group's business relationships with suppliers, customers and others

### More information:

#### Strategic report:

Our business model (page 1)  
Industry trends (page 12)  
Stakeholder engagement (page 15)  
Performance: Pharma (page 22), Vaccines (page 26) and Consumer (page 28)  
Reliable supply (page 37)  
Working with third parties (page 39)  
Risk management (page 43)

#### Corporate Governance report:

Responsible leadership (page 84)  
Principal decisions (page 87)  
Audit & Risk Committee report (page 96)  
Corporate Responsibility Committee report (page 109)

#### (d) The community and our environment

- the impact of the Group's operations on the community and the environment

#### Strategic report:

Trust section including:  
Environment (page 41)  
EHSS risk (pages 45 and 285)  
Climate-related financial disclosure (page 46)

#### Corporate Governance report:

Corporate Responsibility Committee report (page 109)

#### GSK.com:

Responsibility reports and data

#### (e) Our reputation

- our desire to maintain our reputation for high standards of business conduct

#### Strategic report:

Our Culture (page 10)  
Trust (page 30)  
Ethics and values (page 37)  
Human rights (page 38)  
Reporting and investigating concerns (page 38)  
Anti-bribery and corruption (page 44)  
Non-financial statement (page 48)  
Our approach to tax (page 53)

#### Corporate Governance report:

Corporate Responsibility Committee report (page 109)

#### GSK.com:

Modern Slavery statement

#### (f) Fairness between our shareholders

- our aim to act fairly as between members of the company

#### Corporate Governance report:

Shareholder engagement (page 85)

Investor information (page 258)

## Directors

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

Our Articles also provide that all Directors are required to seek re-election annually at the Annual General Meeting in accordance with the 2018 Code.

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

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

### Directors' conflicts of interest

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

The Board reviews any new potential or actual conflict, which is recorded by the Company Secretary. Directors are not counted in the quorum for the authorisation of their own actual or potential conflicts. The Nominations Committee reviews the Register of Conflicts on an annual basis which the Board subsequently approves.

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

The Nominations Committee reviewed the register of potential conflict authorisations (the Register of Conflicts) in January 2020 and reported to the Board that the conflicts had been appropriately authorised and that the process for authorisation continued to operate effectively and recommended the approval of the Register of Conflicts to the Board which it subsequently approved. Except as described in Note 35 to the financial statements, 'Related party transactions', during or at the end of the financial year no Director or Person Closely Associated had any material interest in any contract of significance with a Group company.

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

### Independent advice

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

### Indemnification of Directors

Qualifying third party indemnity provisions (as defined in the Companies Act 2006) are in force for the benefit of Directors and former Directors who held office during 2019 and up to the approval and signature of the Annual Report.

### Change of control and essential contracts

We do not have contracts or other arrangements which individually are fundamental to the ability of the business to operate effectively. Neither is the company party to any material agreements that would take effect, be altered, or terminate upon a change of control following a takeover bid. We do not have agreements with any Director that would provide compensation for loss of office or employment resulting from a takeover, except that provisions of the company's share plans may cause options and awards granted under such plans to vest on a takeover.

Details of the termination provisions in the Executive Directors' service contracts are given in the full version of the company's 2017 Remuneration policy which is available at [www.gsk.com](http://www.gsk.com) in the Investors section. These will be updated with the new 2020 Remuneration policy (set out on pages 140 to 150 of this Annual Report) provided it is approved by shareholders at the company's Annual General Meeting.

## Directors continued

### Content of the Directors' Report

For the purposes of the UK Companies Act 2006, the Directors' Report of GlaxoSmithKline plc for the year ended 31 December 2019 comprises:

### Directors' Report

Section	Pages
Corporate Governance report	75 to 114
Employee engagement	86
Directors' statements of responsibilities	152 to 153
Investor information	257 to 311

The Strategic report sets out those matters required to be disclosed in the Directors' Report which are considered to be of strategic importance:

### Strategic report

Section	Pages
Risk management objectives and policies	43 to 48 and 275 to 287
Likely future developments of the company	01 to 74
Research and development activities	17 to 29
Business relationships	39
Diversity	35
Provision of information to and consultations with employees	35
Carbon emissions	41
Section 172 statement	15 and 111 to 112

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

	Location in Annual Report
Interest capitalised	Financial statements, Notes 17 and 20
Publication of unaudited financial information	Group financial review, page 49
Details of any long-term incentive schemes	Remuneration report
Waiver of emoluments by a Director	Not applicable
Waiver of future emoluments by a Director	Not applicable
Non pre-emptive issues of equity for cash	Not applicable
Non pre-emptive issues of equity for cash by any unlisted major subsidiary undertaking	Not applicable
Parent company participation in a placing by a listed subsidiary	Not applicable
Provision of services by a controlling shareholder	Not applicable
Shareholder waiver of dividends	Financial statements, Notes 16 and 44
Shareholder waiver of future dividends	Financial statements, Notes 16 and 44
Agreements with controlling shareholders	Not applicable

### The Directors' Report

- has been drawn up and presented in accordance with and in reliance upon English company law and the liabilities of the Directors in connection with that Report shall be subject to the limitations and restrictions provided by such law.
- was approved by the Board of Directors on 3 March 2020 and signed on its behalf by:

**Sir Jonathan Symonds**

Chairman

3 March 2020