Remuneration

In this section

Remuneration report
Chairman's annual statement

On behalf of the Remuneration Committee (the Committee), I am pleased to present our Remuneration report for 2019. This includes my annual statement, our Annual report on remuneration, and our updated 2020 Remuneration policy report setting out proposed changes to our remuneration policy.

2019 performance

As set out elsewhere in this Report, in 2019 GSK made significant progress across all three of our IPT priorities.

On **Innovation**, we strengthened our pipeline, focusing and increasing our investment in R&D, with exciting new developments in Oncology and a significant number of positive results across the portfolio.

On **Performance**, we delivered growth in sales and earnings, as well as achieving strong cash generation and improvements in operational execution as we prepare for separation of the Group.

On **Trust**, we continued to make good progress with innovations in Global Health in TB, Malaria and HIV and we ranked top of the Pharmaceuticals sector of the Dow Jones Sustainability Index.

2019 remuneration outcomes

All awards in relation to 2019 were made in accordance with our approved Remuneration policy. The key decisions made by the Committee were as follows:

- Annual bonus outcomes were determined by reference to performance against the agreed financial measure, and the Committee's assessment of the Executive Directors' individual levels of performance. This has resulted in a bonus payment being made above target. The Committee believes the bonus outcomes appropriately reflect the overall underlying performance in 2019.
- Vesting of LTI awards was based on the pre-agreed equally weighted measures of: R&D new product performance, adjusted free cash flow; and relative TSR over the three years. This resulted in an overall vesting level of 66.66%. See page 124.

When the Committee determined the bonus and LTI outcomes, which included a full assessment of performance across all of the relevant measures, it did not exercise any discretion as part of its determination.

Review of Remuneration policy

During 2019, the Committee reviewed the Remuneration policy with the objective of maintaining alignment with our IPT priorities, the shift in our culture, investor sentiment and emerging market practice.

At the outset of its review, the Committee was careful to ensure that the existing policy reflected the factors set out in Provision 40 of the FRC's 2018 Code and that it applied these consistently as it developed the proposed new policy. Examples of how these factors have been addressed in the new policy include:

- continuing to simplify pay arrangements by removing the 20 years' service condition for termination by mutual agreement from our loss of office policy; and
- maintaining a proportionate approach by reducing the CEO's maximum LTI award level from 650% to 600% of base salary.

The proposed new policy has been considered and developed in the context of the Committee's oversight of wider workforce pay. I met with HR business leads to exchange views on how our executive remuneration arrangements align to the Group's wider pay policy arrangements (this engagement is described on page 88). I was pleased with the insights generated by this engagement, which we will continue to develop in the coming years to ensure alignment of our pay policy practices.

In addition, based on external benchmark data and internal projections, the Committee was able to satisfy itself that the company's remuneration arrangements remain appropriate. Given the Committee's view that the design of the existing policy is working effectively no major structural changes are proposed, especially to avoid distraction in preparing for the separation of the Group. However, certain amendments are included to ensure the policy and its implementation remain fit for purpose.

After concluding on the necessary changes, I engaged with our major shareholders on behalf of the Committee on these. The feedback received from shareholders was greatly valued and carefully considered before the Committee decided how to proceed in finalising the proposed new policy. The key changes are outlined below:

Pensions

- **Alignment of new Executive Directors' pension contributions with the wider workforce:** The Committee has considered the levels of pension for Directors in the context of the requirements of the FRC's 2018 Code, feedback from investors, guidance from the Investment Association, emerging market practice and the company's existing pension arrangements for the wider workforce. The new policy for future Executive Directors appointed in the UK or US is to provide a pension aligned with the opportunity available to the broader employee population in their location. See page 142.
- **Alignment of current UK Executive Directors' pension contributions with the wider workforce**: The Committee will reduce pension provisions for current UK based Executive Directors to align with the wider UK workforce levels from January 2023.

  The Committee has determined to maintain the current pension contribution for Dr Hal Barron, our CSO, who is based in the US. This recognises the contractual commitment on his appointment, his exceptional talent and the critical importance of making continued progress in R&D to the Group's prospects over the coming years. It also recognises the strong competitive dynamics in the market in which he operates.

Extension of post employment cessation share ownership requirement:

GSK's current share ownership requirement (SOR) mandates that Executive Directors must retain their shareholding for one-year post employment cessation. This will be extended to require 50% of the SOR to be held for the second year post cessation of employment. GSK operates significant SORs. The CEO would therefore be required to hold 650% of salary for the first year following cessation and 325% of salary for the second year.

Reduction of maximum LTI award level:
The Committee is very aware of the sensitivity amongst stakeholders to levels of executive pay. In light of this, and given that the Committee has no intention of using the headroom currently available, we will reduce the maximum award level permitted under the new policy for the CEO's LTI awards from 650% to 600% of base salary. It is proposed that the LTI continues to be granted below this maximum opportunity, although it is proposed to increase the LTI award level for Emma Walmsley in the implementation of the new policy for 2020, as set out below.

Other changes:

- **Broadening of Malus and Clawback provisions:** Consistent with common practice in the FTSE 100, we are proposing to extend the scope of triggering events under the existing Executive financial recoupment policy. See page 140.
- **Update of termination policy:** We are not proposing any significant changes to our loss of office payment policy. However, to manage succession proactively, it is proposed that the 20-year service condition be removed from the termination by mutual agreement policy, to bring the new policy in line with the market standard.

Full details of the proposed changes to the policy are set on pages 140 to 146.

Remuneration policy implementation for 2020

New PSP performance measure:
We have previously indicated to shareholders our intention to introduce a measure to recognise the importance of accelerating and strengthening our pipeline, reflecting our Innovation priority. This has particular importance in anticipation of our separation. We are therefore introducing a strategic 'Pipeline progress' measure. It is targeted to reward the progress in strengthening our R&D pipeline with high quality assets and in achieving approvals in major markets for key assets or indications. The focus of the metric will be on the achievement of material milestones.

The new performance measure weightings for the 2020 LTI awards are:

- Relative TSR – 30%
- Adjusted free cash flow – 30%
- Innovation sales – 20%
- Pipeline progress – 20%

Therefore, in future, 60% of our LTI measures would reward the Executive Directors for delivering immediate value outcomes to shareholders based on the company's performance, with the remaining 40% incentivising Innovation and commercialisation of new assets.

Introduction of a European benchmark peer group:

The Committee is replacing the existing UK-cross industry peer group with a new European peer group. This reflects feedback from some of our shareholders that the UK peer group was becoming too narrow. This change results in a group which is more reflective of the nature of GSK's business. The methodology to select the new group is based on selecting companies within a range of GSK's market capitalisation in both the FTSE 50 and STOXX 600 and then excluding companies that operate in financial services, extraction or utilities industries.

CEO Remuneration

The Committee initially set Emma Walmsley's pay as CEO below the previous incumbent, and the market, to reflect that she was new in role and this was also her first CEO position.

Since 2017 under Emma Walmsley's leadership, strong progress has been made across GSK's strategic priorities of IPT, supported by a shift in the company's culture. The new R&D strategy is delivering significant progress and our technology and pipeline have been strengthened by targeted business development. As a result, the company is delivering strong financial and operating performance with 2019 sales growth across all three businesses, growth in Total and Adjusted earnings per share, and growth in free cash flow since 2017, despite the genericisation of *Advair* in the US.

Implementation of the second step of the planned salary increase for Emma Walmsley: To reflect her performance in role the Committee agreed, following engagement with shareholders, to progress her pay levels by implementing a two-step salary increase in 2019 and 2020. As disclosed in last year's Annual Report, the second salary increase would only be awarded subject to her continued development and sustained performance.

The Committee has considered Emma Walmsley's performance and, in light of her continued progress in developing and executing the business strategy and the delivery of financial performance, a second salary increase of 8% has been awarded from 1 January 2020 resulting in a base salary of £1,199,176.

Setting LTI award level at 575% of salary: We are also increasing Emma Walmsley's annual LTI award level to 575% of salary (from 550%) to recognise her development, strong performance, and the competitive landscape in which GSK operates. The increase to her LTI award remains below the new reduced maximum under the proposed new policy.

The Committee has considered the high regard in which she is held by virtue of her performance and has considered her competitive positioning against peers. Making this adjustment to LTI awards enables Emma Walmsley's total compensation to be positioned at broadly market median levels, but only on delivery of strong long-term performance.

Board changes

As announced in August 2018, Iain Mackay joined the Board and CET on 14 January 2019 and succeeded Simon Dingemans as Chief Financial Officer from 1 April 2019. Simon retired from the company following the AGM on 8 May 2019. Details of their joining and leaving arrangements were described in last year's report.

AGM

Finally, I would like to thank shareholders for their input and engagement during this Remuneration policy review and I welcome all shareholders' feedback on this report. We look forward to receiving your support for the proposed new Remuneration policy and Annual report on remuneration at our Annual General Meeting on 6 May 2020.

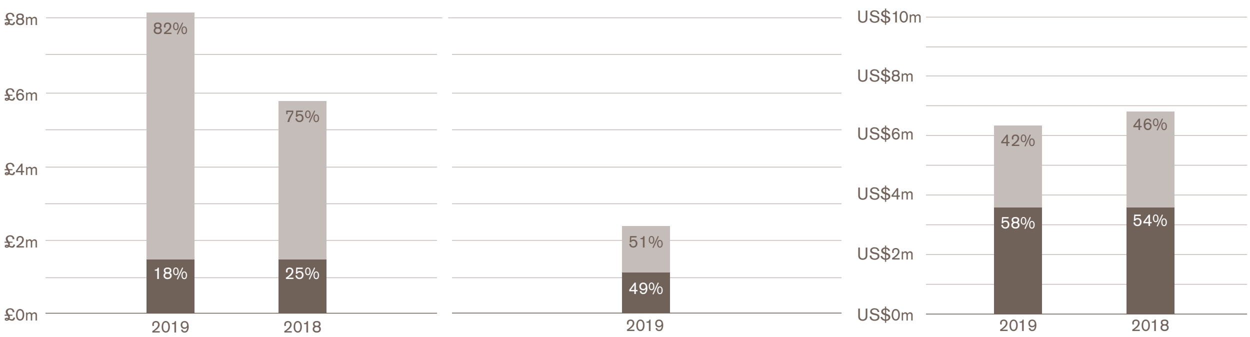
Urs Rohner
Remuneration Committee Chairman
3 March 2020

At a glance

2019 Total Remuneration

The following shows a breakdown of total remuneration paid to Executive Directors in office at 31 December 2019, in respect of 2019 and 2018.

Emma Walmsley | **Iain Mackay**[(1)] | **Dr Hal Barron**

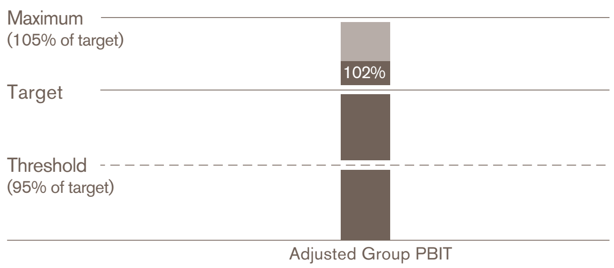


(1) Iain Mackay joined the Board on 14 January 2019. His remuneration is shown from this date.

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

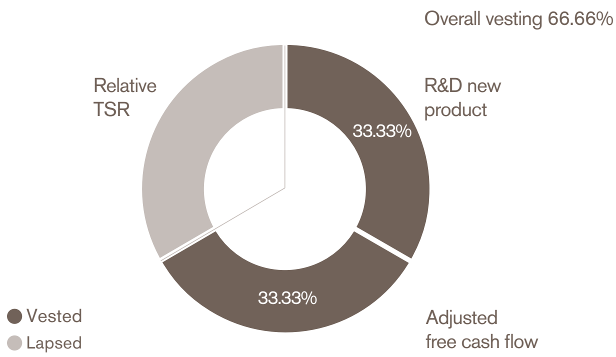
Pay for performance

2019 Annual bonus: financial performance



● Performance achieved
● Maximum performance target

2017 LTI outcome: performance period ended 31 December 2019



Proposed Executive remuneration policy and implementation for 2020 – Key changes[(1)]

Policy

Alignment of pensions with the wider workforce	– New UK and US Executive Directors' pension contribution levels to be aligned with wider workforce – Current UK Executive Directors' pension contribution levels to be aligned with wider workforce from January 2023
Extension to post employment cessation SOR	– 50% of share ownership requirements for Executive Directors to be held for second year post cessation of employment
LTI opportunity maximum reduced	– CEO award maximum reduced from 650% to 600% of base salary

Implementation

Greater alignment of LTI measures with IPT business priorities	– Greater alignment with Innovation business priority – Introduction of Pipeline progress performance measure – Innovation measures comprise 40% and Performance measures 60%
CEO remuneration	– Implementation of second step of planned salary increase of 8% (effective 1 January 2020) – Increase in the CEO's LTI award level from 550% to 575% of base salary following her continued development and sustained performance.

(1) See page 148 for the proposed Non-Executive Directors' Remuneration policy.

Annual report on remuneration

2019 Total remuneration (audited)

Fixed pay

Salary

Benefits

Pension

Read more on pages 120 and 121

+

Pay for performance

Annual bonus

- **Maximum opportunity:** 200%
- **Measures:** 70% adjusted Group PBIT 30% Personal objectives
- Two year deferral of 50% into GSK shares

Read more on pages 122 and 123

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Vested LTI Awards

- Vesting at 66.66%
- **Measures:** R&D new product AFCF Relative TSR
- **Plans:** Last DABP matching awards 2017 PSP awards

Read more on page 124

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Total remuneration

Read more below

2019 Total remuneration (audited)

	Emma Walmsley		Iain Mackay (from 14 January 2019)		Dr Hal Barron		Simon Dingemans (to 8 May 2019)	
	2019 £000	2018 £000	2019 £000	2018 £000	2019 $000	2018 $000	2019 £000	2018 £000
Fixed pay								
Salary	1,110	1,028	825	–	1,743	1,700	275	773
Benefits	192	234	139	–	659	807	92	141
Pension	230	207	171	–	1,259	1,043	55	155
Total fixed pay	**1,532**	**1,469**	**1,135**	**–**	**3,661**	**3,550**	**422**	**1,069**
Pay for performance								
Annual bonus[(1)]	1,754	1,912	1,185	–	2,675	3,009	–	1,368
Vesting of LTI awards:								
DABP matching awards[(2)]	412	301	–	–	–	–	–	398
PSP[(3)]	4,671	2,205	–	–	–	–	–	2,367
Total pay for performance[(4)]	**6,837**	**4,418**	**1,185**	**–**	**2,675**	**3,009**	**–**	**4,133**
Total remuneration	**8,369**	**5,887**	**2,320**	**–**	**6,336**	**6,559**	**422**	**5,202**

Notes:

(1) Details of the mandatory bonus deferrals in 2019 and 2020 under the Deferred Annual Bonus Plan (DABP) are set out on page 137. Matching awards ceased from 2018 and are no longer granted under the DABP.

(2) DABP matching awards vested in February 2020 and have been valued based on the share price at vesting (£16.616). Of the vested amount, £18,017 relates to share price appreciation over the performance period. The Committee did not exercise any discretion in relation to the vesting of the awards or share price changes.

(3) Ms Walmsley's 2017 PSP will vest in July 2020 and has been valued based on the average share price during the three-month period to 31 December 2019 (£17.28). Of the vested amount, £434,472 relates to share price appreciation over the performance period. The Committee did not exercise any discretion in relation to the vesting of the awards or share price changes.

(4) The Committee may in specific circumstances, and in line with stated principles, apply clawback/malus, as it determines appropriate. Following due consideration by the Committee, there has been no recovery of sums paid (clawback) or reduction of outstanding awards or vesting levels (malus) applied during 2019 in respect of any of the Executive Directors.

See page 124 for further details on the vesting of the DABP matching awards and PSP awards, and page 130 for details of Payments to Past Directors.

2019 Total remuneration (audited) continued

The following sections provide details of each element of 2019 'Total remuneration', including how the Committee implemented the approved Remuneration policy during the year.

Comparator groups for pay and Relative TSR

The Committee used two pay comparator groups when considering executive pay for 2019. The Global pharmaceutical comparator group is also used to measure Relative TSR performance. The primary groups used for each Executive Director was as follows:

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

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

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

See page 131 for changes to the comparator group for the CEO and CFO for 2020.

Fixed pay (audited)

Salary

The table below sets out the base salaries of the Executive Directors over the last two years compared to increases for the UK and US workforce.

Following a shareholder consultation in January 2019, the Committee decided to adjust the CEO's pay in two tranches, each of 8% to reflect her development and performance in role. Details of salary levels for 2020 are provided on page 131.

	% change	Base salary 2019	Base salary 2018
Emma Walmsley	8%	£1,110,348	£1,028,100
Iain Mackay	n/a	£850,000	–
Dr Hal Barron	2.5%	$1,742,500	$1,700,000
Simon Dingemans	0%	£772,800	£772,800
UK & US employees	2.5%	–	–

Benefits

The UK remuneration reporting regulations require the company to add into each Executive Director's Total "Benefits" calculation all items which are deemed by tax authorities to be a taxable benefit for them. These details are set out in full on page 129.

Annual report on remuneration continued

Fixed pay (audited) continued

Pensions

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

(1) As a member of the defined contribution plan, Emma Walmsley and Iain Mackay are eligible to receive a matching award of up to 5% on the first £33,333 of their salaries in accordance with the terms of the plan.

(2) Emma Walmsley and Iain Mackay receive cash payments in lieu of pension of 20% of base salary in excess of £33,333 in line with GSK's defined contribution pension plan rates.

(3) Simon Dingemans received a cash payment in lieu of pension of 20% of base salary in line with GSK's defined contribution pension plan rates.

The following table shows the breakdown of the pension values set out on page 119. The pension remuneration figures have been calculated in accordance with the methodology set out in The Large and Medium-sized Companies and Group (Accounts and Reports) (Amendment) Regulations 2008 (Remuneration regulations).

	Emma Walmsley		Iain Mackay		Dr Hal Barron		Simon Dingemans	
Pension remuneration values	2019 £000	2018 £000	2019 £000	2018 £000	2019 $000	2018 $000	Jan-May 2019 £000	2018 £000
UK defined contribution	18(1)	8	8	–	–	–	–	–
US defined benefit	–	–	–	–	1,069	1,043	–	–
Employer cash contributions	212	199	163	–	190	–	55	155
Total pension remuneration value	230	207	171	–	1,259	1,043	55	155

(1) The UK defined contribution figure for Emma Walmsley includes £10,000 bonus sacrifice contribution.

Further details regarding the 2019 pension values for Dr Hal Barron are set out in the table below. The pensions figures disclosed for Dr Barron, who is a member of the US style defined benefit plans are in accordance with paragraph 10.e.ii of Schedule 8 of the Remuneration regulations.

The table shows the accrued benefit (ie the annual pension accrued to date). In accordance with the regulations, the pension remuneration in 2019 is calculated as the increase in the accrued benefit, adjusted for inflation and multiplied by 20 to reflect the fact that the benefit will be received for a number of years.

	Accrued pension		
Dr Hal Barron pension values	31 December 2019 $000	31 December 2018 $000	Pension remuneration value for 2019 $000
US – Funded	1	–	23
US – Unfunded	106	52	1,046
Total	107	52	1,069

Please see details of changes to pensions policy on page 142 of the future policy table and its implementation on page 131.

Pay for performance (audited)

Annual bonus

70% Adjusted Group PBIT	+	30% Individual objectives	=	Annual bonus

2019 performance against targets

For 2019, the financial measures and weightings were as follows:

	Weighting	2018 Adjusted Group PBIT performance		
Performance measure	Executive Directors	2019 target	Outcome	Positioning against target
Adjusted Group PBIT	70%	£8,032m	£8,177m	102%
Individual objectives	30%			

Threshold and maximum performance targets were set at 95% and 105% of target respectively.

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

The following table shows actual bonuses earned compared to bonus opportunity for 2019:

	2019 bonus opportunity						2019 bonus outcome
Bonus	Target (% of salary)	Maximum (% of salary)	2019 Base salary	Financial performance (% of salary)	Individual objectives (% of salary)	Total 2019 bonus (% of salary)	Total 2019 bonus 000
Emma Walmsley	100	200	£1,110,348	98	60	158	£1,754
Iain Mackay	100	200	£850,000	98	46.5	144.5	£1,185
Dr Hal Barron	100	200	$1,742,500	98	55.5	153.5	$2,675

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

Financial performance

- Group turnover was £33.8 billion, a 10% increase at AER and 8% CER.
- Adjusted operating profit was £8,972 million, 3% higher on AER and flat at CER on a turnover increase of 8% CER.
- The Adjusted operating margin of 26.6% was down 1.8% at AER, down 2.1% at CER and down 1.9% CER on a pro-forma basis.
- Total earnings per share increased to 93.9p, up 27% AER and 23% CER, and Adjusted EPS grew 4% at AER and 1% CER to 123.9p.
- Strong cash generation achieved, with free cash flow of £5.1 billion. Our dividend continued at 80p.

Annual report on remuneration continued

Pay for performance (audited) continued

The following table summarises performance against the scorecard of individual objectives agreed by the Committee for each Executive Director in addition to their contribution to the financial performance for 2019:

Individual objectives

Emma Walmsley

- Continued focus and progress against long-term IPT priorities.
- Robust commercial execution resulted in strong performance in new product sales: Pharmaceuticals and Vaccines £3.8 billion and Consumer Healthcare £0.8 billion. Commercial and medical speciality capability build on track to support upcoming launches. Total respiratory sales £3.1 billion, *Shingrix* sales £1.8 billion, and continuing to drive transition to 2-drug regimens in HIV.
- Strengthened pipeline through execution of R&D strategy (Science x Technology x Culture), doubling the number of oncology assets in clinical development. Significant progress in Advanced Technology approach; establishing Laboratory for Genomic Research, collaboration with Lyell Immunopharma, and outstanding external hires in Functional Genomics and AI/ML.
- Tesaro acquisition completed and integrated. Positive data read-outs for *Zejula*.
- Consumer Healthcare JV with Pfizer completed ahead of plan, integration on track and preparation for creation of two new companies started.
- Supply chain transformation plans delivering brand and network simplification, and building capacity to support speciality pipeline. Supply chain reliability targets achieved.
- Progress on building global reputation across IPT priorities, including No. 1 ranking in Dow Jones Sustainability Index.
- Met significant milestones in our Global Health strategy, including in our malaria, TB and paediatric HIV programmes. Continued AMR leadership.
- Focused leadership development, including two internal CET promotions (HR and Communications), 29% new in role for our top 125 enterprise key roles, and 36% women at Senior Vice President and Vice President level.
- Recorded our highest ever employee engagement in April 2019 through continued focus on creating a performance culture underpinned by our values and expectations.

Iain Mackay

- Strong financial leadership of the Group in first year in role.
- Delivered financial and operating performance above plan for the Group on turnover, operating profit, free cash flow, capital expenditure and cash restructuring.
- Key leadership role in preparation for separation into two companies.
- Strengthened Finance and Investor Relations team structure, with high engagement through period of leadership and company change.

Dr Hal Barron

- R&D strategy delivering strong pipeline progress: 8 assets advanced into Phase 1, 4 into Phase 2, 6 into Phase 3, 13 terminations – with at least 6 registration decisions expected in 2020 – supported by continued drive on focus, greater accountability and decision making.
- Significant business development to support advanced technology approach, as well as strong capability build including external hires to lead Functional Genomics and AI/ML. New talent in 37% of key R&D roles and building oncology capability.
- Tesaro integrated and delivered efficiency and pipeline goals, and positive data read-outs for *Zejula*.
- Re-building GSK's reputation for Innovation and as a collaboration partner, and significant increase in internal engagement on Innovation.

Malus and clawback policy

For details of our policy on malus and clawback, please refer to the company's Remuneration policy report (page 144), which is also available on GSK.com.

The Committee reviews and discloses whether it (or the Recoupment Committee) has exercised malus or clawback.

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

In line with these disclosure guidelines, neither the Committee (nor the Recoupment Committee) exercised malus or clawback during 2019.

Other policies

For details of our existing policies on recruitment remuneration, loss of office and termination payments, please refer to the 2017 Remuneration policy report on pages 137 to 146 of the 2016 Annual Report, available on GSK.com. A change to our loss of office policy in the 2020 Remuneration policy report is proposed. Please refer to page 145.

Pay for performance (audited) continued

Value earned from long-term incentives (LTIs)

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

In line with the Committee's agreed principles, for each measure applicable to the LTI awards, actual performance against the targets is reviewed and adjustments made as appropriate to ensure that the vesting outcome reflects genuine underlying business performance and that results are being delivered in line with our Trust business priority, which reflects the company's position on ESG (see page 30). Further details on any adjustments made will be provided at the time of vesting.

2017 awards with a performance period ended 31 December 2019

The Committee reviewed the performance of the PSP awards and the DABP matching awards granted to Executive Directors against the targets set. Details of its decision to revise the Adjusted free cash flow (AFCF) target are set out on page 104 of the 2018 Annual Report. The 2017 PSP awards and the DABP matching awards were assessed against the same performance measures.

There are no further changes to the AFCF target. In addition, there are no changes to the targets set for the R&D new product performance measure or the Relative TSR performance measure for the 2017 PSP awards.

For 2019, the 2017 PSP has been valued based on the average share price during the three-month period to 31 December 2019 of £17.28. Of the vested amount for the CEO, £434,472 relates to share price appreciation over the performance period. The Committee did not exercise any discretion in relation to the vesting of the awards or share price changes. The 2017 DABP matching awards have been valued based on the share price at vesting (£16.616). Of the vested amount for the CEO, £18,017 relates to share price appreciation over the performance period. The Committee did not exercise any discretion in relation to the vesting of the awards or share price changes.

The performance achieved in the three years to 31 December 2019 and the vesting levels are set out in the table below.

<table>
<tr><th></th><th></th><th colspan="3">Outcome and vesting level</th></tr>
<tr><th>Performance measures and relative weighting</th><th>Performance targets</th><th>Outcome</th><th>% of maximum</th><th>% of award</th></tr>
<tr><td>R&D new product performance (to be renamed Innovation sales) (1/3rd)</td><td>R&D new product sales performance measures aggregate three-year sales for new products launched in the three-year performance period and the preceding two years, i.e. 2015-19.
<table>
<tr><th></th><th>Target</th><th>% vesting</th></tr>
<tr><td>Maximum</td><td>£5.10bn</td><td>100%</td></tr>
<tr><td></td><td>£4.64bn</td><td>75%</td></tr>
<tr><td></td><td>£4.40bn</td><td>50%</td></tr>
<tr><td>Threshold</td><td>£4.17bn</td><td>25%</td></tr>
</table></td><td>£7.25bn</td><td>100</td><td>33.33</td></tr>
<tr><td>Adjusted free cash flow performance (1/3rd)</td><td>In line with the company's agreed principles, the AFCF figures included adjustments for a number of material distorting items, including legal settlements, exchange rate movements and special pension contributions.
<table>
<tr><th></th><th>Original target</th><th>Revised target(1)</th><th>% vesting</th></tr>
<tr><td>Maximum</td><td>£13.59bn</td><td>£12.95bn</td><td>100%</td></tr>
<tr><td></td><td>£13.00bn</td><td>£12.39bn</td><td>75%</td></tr>
<tr><td></td><td>£11.82bn</td><td>£11.26bn</td><td>50%</td></tr>
<tr><td>Threshold</td><td>£11.47bn</td><td>£10.93bn</td><td>25%</td></tr>
</table>
(1) Further details of the revised target are set out on page 104 of the 2018 Annual Report.</td><td>£13.00bn</td><td>100</td><td>33.33</td></tr>
<tr><td>Relative TSR performance (1/3rd)</td><td><table>
<tr><th></th><th>TSR ranking within comparator group(2)</th><th>% vesting</th></tr>
<tr><td>Maximum</td><td>1st, 2nd, 3rd</td><td>100%</td></tr>
<tr><td></td><td>4th</td><td>72%</td></tr>
<tr><td></td><td>5th</td><td>44%</td></tr>
<tr><td>Threshold(3)</td><td>Median</td><td>30%</td></tr>
<tr><td></td><td>6th to 10th</td><td>0%</td></tr>
</table>
(2) TSR comparator group: AstraZeneca, Bristol-Myers Squibb, Eli Lilly, GSK, Johnson & Johnson, Merck & Co, Novartis, Pfizer, Roche Holdings and Sanofi.
(3) The vesting schedule is based on delivering 30% vesting for median performance. In a comparator group of ten companies, median falls between two companies.</td><td>Ranked 8th</td><td>0</td><td>0</td></tr>
<tr><td>Total vesting in respect of 2017 awards</td><td></td><td></td><td></td><td>66.66%</td></tr>
</table>

Annual report on remuneration continued

Pay for performance (audited) continued

Update on performance of ongoing LTI awards

The Committee also reviewed the performance of the PSP awards granted to Executive Directors in 2018 and 2019.

The following charts provide an estimate of the vesting levels taking into account performance to 31 December 2019. Actual vesting levels will only be determined based on performance over the full three-year performance periods. The indications below should therefore not be regarded as predictions of the final vesting levels.

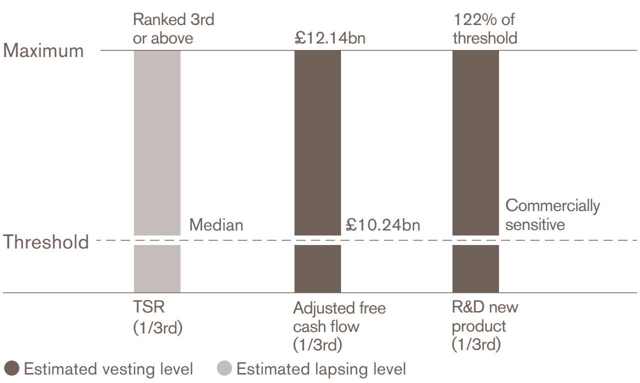
The AFCF targets and associated vesting scales for the 2018 and 2019 PSP awards have been adjusted. The net overall impact is a reduction of £0.23bn to £10.56bn for the 2018 award and £1.03bn to £11.07bn for the 2019 award. These adjustments are to take account of the following items:

– the cash flow impact of the Pfizer transaction in 2019 and 2020, the impact of the Vaccines Rabipur and Encepur divestments on Operating Profit in 2020 and 2021 and the impact of the Separation Preparation programme, including the 2020 Restructuring Programme costs and savings in Operating Profit and separation costs.

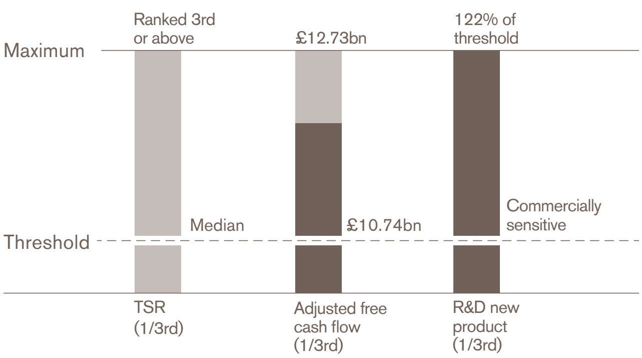
There are no changes to the targets set for the R&D new product performance measure (to be renamed Innovation sales) or the relative TSR performance measure for the 2018 and 2019 awards.

Performance updates

2018 award



2019 award



For threshold performance:

– 25% of each award will vest in respect of the R&D new product performance (to be renamed Innovation sales) and AFCF measures.

– 30% for the Relative TSR element of the 2018 award and 25% of the 2019 award will vest for median performance respectively. The TSR comparator group remains unchanged from that shown on page 120 in respect of the 2017 awards.

Individual 2018 LTI award levels appear on page 105 of the 2018 Annual Report. They are set out for the 2019 LTI awards on page 126 of this year's Report.

Historical vesting for LTI plans

	Vesting %					
Year of grant	Relative TSR	Adjusted free cash flow	R&D new product	Business diversification	Lapsed	Total vested %
2009	9	40			51	49
2010	9	16			75	25
2011	0	13	16	11	60	40
2012	0	0	7	7	86	14
2013	0	0	21	17	62	38
2014	0	0	33		67	33
2015	15	21	33		31	69
2016	0	26	33		41	59
2017	0	33	33		33	67

For the DABP, the 2010 awards were only subject to TSR performance and from 2011 awards were subject to the same performance measures as PSP awards.

Pay for performance (audited) continued

2019 LTI awards

The 2019 DABP awards in respect of the deferral of 2018 bonus and the 2019 PSP awards are shown in the table below.

		2019 DABP awards		2019 PSP awards		
	2018 % of total bonus deferred	Number of shares	Face value of award[(1)]	Award level as % of base salary	Number of shares	Face value of award[(2)(3)]
Emma Walmsley	50%	**61,813 shares**	£0.956m	550%	**404,592 shares**	£6.1m
Iain Mackay[(4)]	–	–	–	400%	**225,255 shares**	£3.4m
Dr Hal Barron	50%	**37,120 ADS**	$1.504m	500%	**217,161 ADS**	$8.7m
Simon Dingemans[(5)]	50%	**44,215 shares**	£0.684m	–	–	–

(1) The face values of the DABP awards has been calculated based on a share price of £15.47 and an ADS price of $40.53, being the closing prices on 12 February 2019 (the day before grant). These are nil-cost options for the UK Executive Directors and restricted shares for the US Executive Director. No performance conditions are attached to the DABP awards, as they reflect the mandatory deferrals in respect of the 2018 annual bonus earned.

(2) The face values of the PSP awards has been calculated based on a share price of £15.09, and an ADS price of $40.12, being the closing prices on 7 March 2019 (the day before grant). These are conditional shares, based on three equally weighted measures: (i) R&D new product performance (to be renamed Innovation sales); (ii) Adjusted free cash flow; and (iii) Relative TSR. Each performance measure vests at 25% at threshold.

(3) The performance period for the 2019 PSP awards is from 1 January 2019 to 31 December 2021.

(4) Iain Mackay was appointed to the Board on 14 January 2019.

(5) Simon Dingemans' 2019 DABP award will vest as normal three years after the date it was granted.

All-employee share plans

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

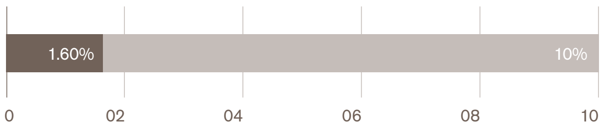
Participants of the Share Save plan may save up to £250 a month for three years and at the end of the period have the option to buy GSK shares at a 20% discount to the share price at the start of the savings contract. Participants of the Share Reward plan contribute up to £125 a month to purchase GSK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

For further details see page 137.

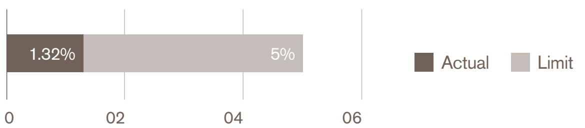
Dilution limits

All awards are made under plans which incorporate dilution limits consistent with the guidelines published by the Investment Association. These limits are 10% in any rolling ten-year period for all plans and 5% in any rolling ten-year period for executive share plans (granted to senior executives). Estimated dilution from existing awards made over the last ten years up to 31 December 2019 is as follows:

All GSK employee share plans



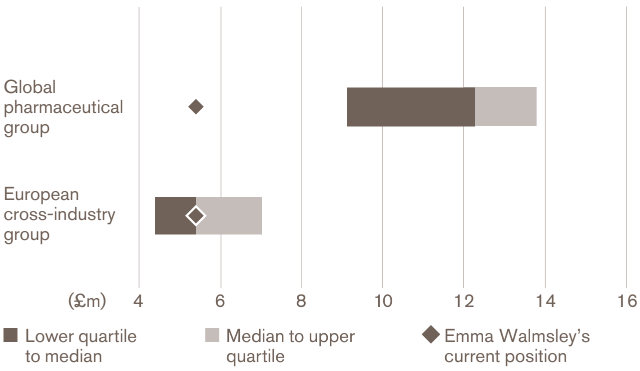
Executive share plans



Annual report on remuneration continued

CEO pay comparison

2019 CEO total remuneration positioning



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

CEO pay ratios

	Methodology	(Lower Quartile) P25	(Median) P50	(Upper Quartile) P75
2019	Option A	166:1	123:1	76:1
2018		122:1	90:1	56:1

The pay ratios above are calculated using actual earnings for the CEO and UK employees. The CEO total single figure remuneration of £8,370,043 for 2019 and £5,887,672 for 2018 are given on page 119 of this Report.

Total remuneration for all UK full-time equivalent employees of the company on 31 December 2019 has been calculated in line with the single figure methodology and reflects their actual earnings received in 2019 (excluding business expenses), which were used to produce the percentile calculation under Option A of the Remuneration regulations. Business expenses have been excluded as they are reimbursed to employees and not sufficiently substantial in value to significantly impact the ratios.

GSK continues to choose Option A because it is the most robust and statistically accurate way for the company to calculate the three ratios from the options available in the Remuneration regulations. The increase in the pay ratio for 2019 is due to the outcome of the 2017 PSP award, the first award for Emma Walmsley as CEO.

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

	2019	2018	2019	2018	2019	2018
£	P25		P50		P75	
Salary	33,090	33,090	47,029	44,944	66,561	64,185
Total pay and benefits	50,467	48,370	68,200	65,149	110,638	105,045

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

Supplemental/Additional ratios

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

In light of this we have also provided supplemental ratios, where LTI compensation has been excluded. We believe this provides an additional view as LTIs formed a substantial percentage of the CEO's total remuneration, which is highly variable and dependent on business performance. The CEO 2019 total remuneration excluding Long Term Incentive compensation is £3,286,000.

Financial Year	Methodology	P25	P50	P75
2019	Option A*	65:1	48:1	32:1
2018		70:1	52:1	34:1

* Total remuneration less vesting of Long-Term Incentive awards

Historic CEO remuneration

	Emma Walmsley			Sir Andrew Witty						
			£000							£000
	2019	2018	2017	2017	2016	2015	2014	2013	2012	2011
Total remuneration	8,369	5,887	4,883(1)	715(2)	6,830	6,661	3,902	7,207	4,386	6,807
Annual bonus award(2) (% of maximum)	79%	93%	77%	0%(2)	97%	100%	42%	88%	44%	100%
Vesting of LTI awards (% of maximum)	67%	59%	69%	0%(3)	33%	38%	14%	31%	24%	70%

(1) Ms Walmsley's total remuneration includes her pay for the period 1 January to 31 March 2017, before she became CEO.

(2) Sir Andrew received a pro-rata payment for 2017 in lieu of a variable bonus opportunity, in accordance with the 2014 Remuneration policy.

(3) PSP and DABP awards for Sir Andrew granted in 2015 did not vest until April 2018, in accordance with the terms of the Executive financial recoupment policy.

Percentage change in remuneration of CEO

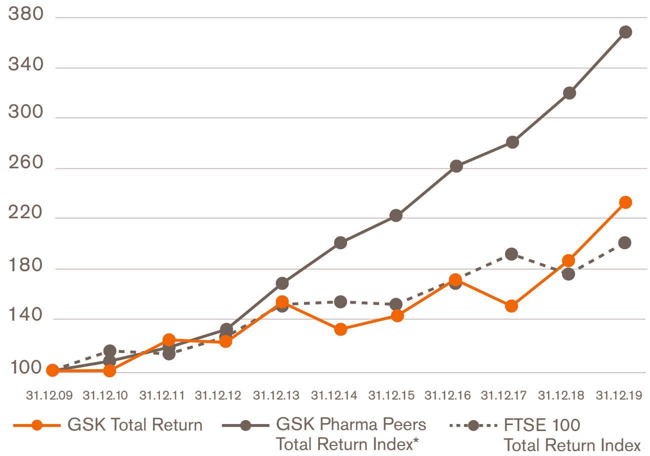
	Emma Walmsley		UK Employees
	2019 £000	% change	% change
Salary	1,110	8%	2.5%
Benefits	192	(18)%	0%
Annual bonus	1,754	(8)%	9%

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

CEO pay comparison continued

Performance graph

The following graph sets out the performance of the company relative to the FTSE 100 index and to the pharmaceutical performance comparator group for the ten-year period to 31 December 2019. These indices were selected for comparison purposes as they reflect both the primary index of which GSK is a constituent and the industry in which it operates.



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

Additional remuneration disclosures

Relative importance of spend on pay

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

	Change %	2019 £m	2018 £m
Total employee pay	4.40	9,855	9,440
Dividends paid in the year	0.7	3,953	3,927

The figures in the table above, which reflect payments made during each year and the impact of movements in exchange rates, are as set out on pages 185 and 192. However, dividends declared in respect of 2019 were £3,961 million (2018 – £3,940 million) an increase of 0.5%.

Total employee pay is based on 97,214 employees, the average number of people employed during 2019 (2018 – 96,851).

There were no share repurchases made by the company during the year.

Service contracts

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

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

Shareholder votes on remuneration matters

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

	Total votes cast (billion)	Total votes for (%)	Total votes against (%)	Votes withheld (million)
Remuneration report				
2019 AGM	3.2	88.8	11.2	8.6
Remuneration policy				
2017 AGM	3.4	95.2	4.8	66

External appointments for Executive Directors

The Board encourages Executive Directors to hold one listed company external non-executive directorship (or equivalent) in line with the FRC's 2016 UK Corporate Governance Code, as they become established in their roles, to broaden their experience and development, from which they may retain any fees.

Any such appointments are considered by the Board, in line with the company's policy on external appointments, to ascertain the nature and scope of the appointments and ensure they would not cause an actual or potential conflict of interest, and that the individual Executive Director continues to meet their existing commitments to GSK.

CEO

During the year, the Board approved Emma Walmsley's nomination to the board of Microsoft Corporation as an independent non-executive director. She joined its board on 4 December 2019 after shareholder approval. She is expected to receive $325,000 in fees per annum, of which $125,000 will be delivered in cash and $200,000 as stock options under Microsoft Corporation's Deferred Compensation Plan for their non-employee directors. She received no fees in 2019.

CFO

Iain Mackay is a Trustee of the British Heart Foundation and a member of the Court of the University of Aberdeen and The 100 Group. He does not receive fees for these external appointments.

CSO

The Board recognises the importance of ensuring that Hal Barron remains connected to the life sciences community and has therefore approved his appointment to the board of GRAIL Inc (a private company) in 2018 as a non-executive director. During 2019, he earned $50,086 in fees.

Annual report on remuneration continued

2019 Total Benefits (audited)

The tables below provide an analysis of Total benefits received by the Executive Directors in 2018 and 2019.

These comprise:

- **Employee benefits**, in line with the policy for other employees, which may vary by location and role; and
- **Business related services** provided to employees to assist or enable them to carry out their role, which a tax authority has deemed to be a taxable "benefit" to the individual. Because these are business expenses, the company meets the tax which arises on them and therefore the items are shown grossed up for tax. These can be split into three areas:
  - Business travel: includes travel costs for the Executive Director and as appropriate for their spouse/partner associated with accompanying the Executive Director on GSK business which are deemed to be taxable benefits for the Director.
  - Accommodation whilst on business travel.
  - Other benefits.

	£000	£000	2019 £000	£000	£000	2018 £000
Emma Walmsley	Net	Gross up for tax (UK & US)	Total	Net	Gross up for tax (UK & US)	Total
Benefits available to employees	52	8	60	55	19	74
Business related services(1)						
Business travel	47	38	85	79	65	144
Other benefits	26	21	47	9	7	16
Total benefits	125	67	192	143	91	234

	£000	£000	2019 £000	£000	£000	2018 £000
Iain Mackay	Net	Gross up for tax (UK & US)	Total	Net	Gross up for tax (UK & US)	Total
Benefits available to employees	83	16	99	–	–	–
Business related services(1)						
Business travel	19	16	35	–	–	–
Other benefits	3	2	5	–	–	–
Total benefits	105	34	139	–	–	–

	\$000	\$000	2019 \$000	\$000	\$000	2018 \$000
Dr Hal Barron(2)	Net	Gross up for tax (UK & US)	Total	Net	Gross up for tax (UK & US)	Total(2)
Benefits available to employees	46	16	62	35	7	42
Business related services(1)						
Business travel	272(2)	142	414	220	244	464
Accommodation whilst on business travel(3)	85	95	180	140	155	295
Other benefits	2	1	3	3	3	6
Total benefits	405	254	659	398	409	807

	£000	£000	2019 £000	£000	£000	2018 £000
Simon Dingemans	Net	Gross up for tax (UK & US)	Total	Net	Gross up for tax (UK & US)	Total
Benefits available to employees	41	27	68	42	13	55
Business related services(1)						
Business travel	5	5	10	41	33	74
Other benefits	8	6	14	7	5	12
Total benefits	54	38	92	90	51	141

Notes:

(1) Business related services which tax regulations deem to be a taxable benefit in the UK and/or the US.

(2) During 2019, GSK reviewed the methodology for allocating the cost of certain business travel. Using the previous methodology, Dr Barron's Business travel would have totalled approximately $129,000 net for 2019. Conversely, the current methodology would have resulted in an additional cost of approximately $322,000 in 2018 bringing his Business travel in 2018 to approximately $552,000 net.

(3) Dr Barron's place of main business moved during 2019 from the UK to the US, resulting in a reduction in this cost for 2019.

Payments to past Directors (audited)

Vesting and release of LTI awards to past Directors.

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

In accordance with the Remuneration policy, approved by shareholders in 2014, their 2016 PSP awards and 2016 DABP awards vest over the original timescales and subject to the original performance conditions.

Dr Moncef Slaoui

	Number of ADS awarded	% vested in 2019	ADS price $	Equating to $000
2016 PSP	110,433	59	41.17	4,547
2016 DABP	14,508	59	41.17	597

Other benefits: the grossed up cost of the post employment financial planning was $29,480.

Sir Andrew Witty

	Number of shares awarded	% vested in 2019	Share price £	Equating to £000
2016 PSP	343,530	59	15.89	5,459
2016 DABP	27,928	59	15.89	444

Other benefits: the grossed up cost of the post employment home security was £8,149.

Simon Dingemans – left on 8 May 2019

PSP DABP Matching awards	2017 and 2018 awards lapsed in May 2019
DABP awards	2017 award will vest in May 2020 under the terms of the Executive financial recoupment policy. 2018 and 2019 awards will vest in February 2021 and February 2022 respectively, in accordance with the standard vesting rules.

Simon Dingemans left the Board in May 2019. As he was a voluntary leaver, he did not receive any severance payment when he left the company. He did not receive any annual bonus in respect of 2019 and his outstanding LTIs were treated in line with the approved Remuneration policy as set out in the table above.

Payments for loss of office (audited)

No loss of office payments were made in 2019 or 2018.

Implementation of Remuneration policy for 2020

Comparator groups for pay and Relative TSR

Following feedback and engagement with shareholders, the Committee decided to replace the UK cross-industry comparator group with a broader European cross-industry group for the CEO and CFO. The European cross-industry group comprises:

CEO & CFO – Europe cross-industry comparator group

Roche Holding AG	Linde	Deutsche Telekom
Novartis	Sanofi	Kering
LVMH	AstraZeneca	Heineken
Anheuser-Busch Inbev	Diageo	BASF
Unilever	Siemens	Vinci
SAP	Christian Dior	Adidas
L'Oreal	Inditex	Bayer
Novo Nordisk A/S	BAT	Safran
Airbus	Volkswagen	Reckitt Benckiser

CSO & Relative TSR performance for Executive Directors – Global pharmaceuticals comparator group

The Global pharmaceuticals comparator group will continue to be used for the CSO's remuneration and to measure Relative TSR performance for the Executive Directors.

See page 120 for the composition of this group.

Fixed Pay

Salary

The Committee considered the average increases being awarded to employees below the level of CET in the UK and US. After due consideration, it was agreed that it was appropriate to award increases in line with the wider workforce to the CSO and CFO to ensure the competitiveness of their remuneration could be maintained.

After review of the CEO's continued development and sustained performance, and following further engagement with shareholders, it was agreed that the second 8% base salary increase (as outlined in the 2018 Annual Report on pages 96 and 97) should be implemented.

Base salary	2020	% change
Wider workforce[(1)]	–	2.5
Emma Walmsley	£1,199,176	8
Iain Mackay	£871,250	2.5
Dr Hal Barron	$1,786,060	2.5

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

Benefits

See page 141 for details of the proposed new policy on benefits. No changes are being made to Executive Directors' benefits.

Pension

The Committee has carefully considered and engaged with investors on the pension provisions for the new Executive Directors in light of the external focus on this area of remuneration. The proposed new policy has been changed following this engagement.

The Committee has also committed to reduce existing UK Executive Directors' pensions to align with the wider workforce by January 2023. The pension contributions of the CSO will be retained given the contractual commitment on his appointment, his exceptional talent and the critical importance of making continued progress in R&D for the Group prospects over the coming years. Any new US-based Executive Director's pension will be aligned to the wider US workforce on appointment.

	2020 Pension contribution
Emma Walmsley Iain Mackay	20% of base salary and matching contributions of 5% on the first £33,333 of salary in accordance with the terms of the plan open to all employees, and 20% of base salary in lieu of pension on salary in excess of £33,333
Dr Hal Barron	38% of base salary. In addition, in line with the wider US workforce, from 1 January 2019, a combined contribution rate under the 401(k) and ESSP plans of 6% (2% core contribution plus a match of up to 4%) of total base salary and bonus, less the bonus deferred under the DABP.

Implementation of Remuneration policy for 2020 continued

Pay for performance

Annual bonus

There are no changes to the operation of the Annual bonus plan.

For full details of the policy in relation to the Annual bonus plan, please refer to the details in the new policy on page 142.

	Bonus opportunity % of salary		Weighting of performance measures %	
	Target	Maximum	Adjusted Group PBIT	Scorecard of individual objectives
Emma Walmsley Iain Mackay Dr Hal Barron	100	200	70	30

In setting and assessing performance levels of the Executive Directors, the Committee considers performance against the company's Trust business priority (see page 30) which reflects the Group's approach to ESG factors.

Inevitably, targets linked directly to the financial and strategic plan are commercially sensitive. The Committee does not consider it appropriate to disclose Annual bonus targets during the year, as it may result in competitive harm. However, details of the performance targets, as usual, will be disclosed on a retrospective basis in the 2020 Annual Report.

Deferred Annual Bonus Plan (DABP) 2020 awards

The table below provides details of the mandatory deferral into the DABP of 50% of 2019 Annual bonus payments and the associated awards granted. The shares awarded have no performance conditions, but must be held for three years, regardless of continued employment.

	Total bonus deferred into shares %	DABP awards Shares	ADS
Emma Walmsley		52,169	
Iain Mackay	50	35,223	
Dr Hal Barron			30,547

Performance Share Plan (PSP) 2020 awards

Following careful consideration and engagement with investors, the Committee intends to increase Emma Walmsley's annual PSP award level from 550% to 575% of salary to recognise her development in role and strong performance, together with the highly competitive landscape in which GSK operates. This award remains below the newly reduced maximum grant under the proposed new policy. The Committee has considered in particular the high regard in which she is held by virtue of her performance and her competitive positioning against her peers. This adjustment will bring her total compensation to be broadly market median level, provided the company delivers strong long-term performance. However, when compared to the Global pharmaceuticals comparator group she remains below lower median. (See page 127).

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

	2020 PSP award[2]			
	% of salary	Change in award level[1]	Shares	ADSs
Emma Walmsley	550	4.5%	392,260	
Iain Mackay	400	–	207,267	
Dr Hal Barron	500	–		203,981

(1) The increase in award level to Ms Walmsley from 550% will be delivered through a top up award, subject to shareholder approval of the Remuneration report at the AGM on 6 May 2020.

(2) The awards were granted at a price of £16.81 per share and $43.78 per ADS.

LTI performance measures

Continuous consideration has been given to the introduction of a measure to recognise the importance of accelerating and strengthening our pipeline to further support our Innovation business priority. This has even greater importance as we work towards separation of the Group. The Committee, after engagement with investors, decided to introduce a strategic Pipeline progress measure.

Pipeline progress measure

Specifically, this will be targeted to reward progress in strengthening our R&D pipeline with high quality assets and in achieving approvals in major markets for key assets or indications. The focus of this metric will be on achievement of material milestones.

The Committee will set targets based on relevant milestones and the commercial value delivered to the business at the end of the performance period.

The Pipeline progress measure is based on two equally weighted elements for key assets or indications:

Pipeline progress measure	Pipeline progress measure %	LTI award %
Pivotal trial starts Focuses mainly on phase III registrational trial starts, but may also include phase II starts (for example, in oncology).	50	10
Major regulatory approval milestones	50	10

Points will be allocated to the assets in each sub-measure based on their forecast commercial value (peak year sales) at the end of the performance period.

Pipeline progress measure	LTI award %	Threshold 25%	50%	75%	Maximum 100%
Pivotal trial starts	10	13 points	14 points	15 points	18 points
Major regulatory approval milestones	10	18 points	19 points	20 points	22 points

To more easily differentiate the existing R&D new product sales measure, it has been renamed "Innovation sales". That measure is otherwise unchanged.

Annual report on remuneration continued

Implementation of Remuneration policy for 2020 continued

The weightings of the four LTI measures for 2020 onwards will be:

LTI measure business priority	Measure	Weighting Previous	Weighting New
Innovation	Innovation sales (previously R&D new product performance)	33%	20%
	Pipeline progress	–	20%
Performance	Relative TSR	33%	30%
	Adjusted free cash flow	33%	30%

Trust – business priority
When setting targets and reviewing management's performance against all LTI measures, the Committee considers and reflects on the company's Trust business priority. Our Trust priority reflects the company's approach to ESG factors (see page 30).

Disclosure of measures
The Committee is mindful of investors' concerns over the non-disclosure of targets at the time of grant. It has committed to disclose all targets in full following the end of each performance period.

It will continue to provide shareholders with interim performance updates for measures over the course of the performance period.

It exercises rigour in its assessment of performance against measures. It will enlist support from the Science Committee in assessing performance against the new Pipeline progress measure.

Innovation
The targets for Innovation sales and Pipeline progress measures are of their nature commercially sensitive at the time of grant.

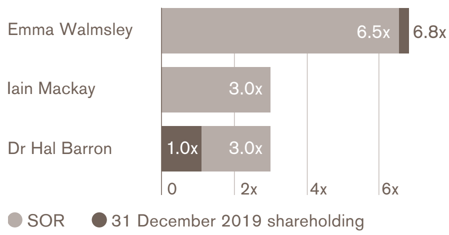
Performance
Relative TSR will continue to be measured against GSK's Global pharmaceutical comparator group (see page 120).

Adjusted free cash flow (AFCF)
The targets for the AFCF measure for the 2020 grant are:

	Target	% vesting
Maximum	£11.84bn	100%
	£11.33bn	75%
	£10.30bn	50%
Threshold	£9.99bn	25%

Shareholdings versus Share Ownership Requirement (SOR)
To align the interests of Executive Directors with those of shareholders, they are required to build and maintain significant holdings of shares in GSK over time. Executive Directors are required to continue to satisfy these share ownership requirements by holding 100% of SOR for the first 12 months after leaving GSK. Going forward Executive Directors will also be required to hold at least 50% of their SOR for months 13-24 after leaving GSK.

Share ownership vs SOR (multiples of base salary)



See page 137 for the Executive Directors' shareholdings on 24 February 2020.

Mr Dingemans, who left GSK in 2019, continues to hold three times his previous base salary.

Remuneration governance

Role of the Committee

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

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

Terms of reference

The Committee's terms of reference are available on the company's website. The terms of reference are reviewed at least annually and were last revised in December 2019 to reflect best practice developments.

Governance

The Board considers all of the members of the Committee to be independent Non-Executive Directors in accordance with the 2018 Code.

Membership

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

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

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

Details of the Committee members' skills and experience are given in their biographies under 'Our Board' on pages 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 the Committee include:

Committee attendees

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

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

The Committee Chair meets with employees or their HR representatives to understand employees' views on remuneration. In addition, Dr Cox, GSK's Workforce Engagement Director, provides the Committee with insights into the views of the wider workforce on remuneration at GSK.

Adviser to the Committee

PricewaterhouseCoopers LLP (PwC) has been the independent adviser to the Committee since it was appointed in 2018 after a full commercial tender exercise was concluded by the company. PwC is a member of the Remuneration Consultants' Group and, as such, voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK. The code of conduct can be found at www.remunerationconsultantsgroup.com.

During the year, PwC did not have any other connection with the Committee members or other Board Directors. However, it did provide other consulting and assurance services to the company. In line with the protocols agreed and set by the Committee Chair under which PwC provided their advice, the Committee is satisfied that such advice has been objective and independent.

PwC has provided independent commentary on matters under consideration by the Committee and updates on market practice and legislative requirements. PwC's fees for advice during the year, which were charged on both a fixed and a time and materials basis, were £177,000.

Willis Towers Watson provided additional market data to the Committee.

Committee evaluation

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

Annual report on remuneration continued

What the Committee did during 2019

Areas of Committee focus	Items discussed
Remuneration policy The Committee sets the broad structure for the Remuneration policy and determines the remuneration of the Executive Directors, the Chairman and other corporate officers.	– 2020 Executive remuneration policy review and recommendations – Remuneration impact of major Group restructuring – Engagement with shareholders
Salary review The Committee periodically reviews and considers the remuneration environment of Executive Directors and CET, approving annual adjustments as necessary having regard to the remuneration of the wider workforce.	– Review of remuneration environment (including wider employee trends) – Executive Director and CET benchmarking, competitiveness and GSK comparator groups – Executive Director, CET and Company Secretary salary review and recommendations for 2019
Annual bonus The Committee is responsible for setting specific performance measures for the Annual bonus and for assessments of performance.	– CEO, Executive Directors and CET 2018 bonus recommendations and 2019 CEO bonus objectives
LTI plans The Committee is responsible for approving LTI plan rule changes, grants, assessments of performance, and the vesting of LTI awards for the Executive Directors, CET and below (including interim awards).	– LTI performance outcomes and vesting of LTI awards for CET and below – Confirmation of LTI grants for CET and below – Development of a new Innovation pipeline measure
Governance and other areas of focus The Committee adheres to a robust remuneration governance framework, ensuring alignment between internal actions and external reporting/compliance requirements.	– Review of Terms of Reference – Committee evaluation annual review – 2018 Remuneration report – Confirmation of 2019 Group Budget for remuneration purposes – Remuneration considerations and committee programme for 2019 – AGM and Remuneration report feedback, the external remuneration environment and performance target disclosure for incentive plans – Approval of the new Chairman's fees – 2019 Remuneration report disclosures, including CEO pay ratio – Annual governance meeting; key committee messages and presentation of the 2020 Remuneration policy and consideration of feedback received – Employer consultation with employees or employee representatives on setting pay – Gender pay gap reporting

Non-Executive Directors' fees

Chairman and other Non-Executive Directors

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

Chairman's fees

The Chairman is paid a fee of £700,000 per annum, of which he has elected to take 25% in GSK shares. The Chairman's fees were reviewed on the appointment of the new Chair. It was concluded they remained appropriate.

2019 Non-Executive Directors' fees

The Non-Executive Directors' fees that applied during 2019 are set out in the table below:

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

Implementation of Non-Executive Directors' policy in 2020

Non-Executive Directors' standard fees were last increased in January 2013. Following a review and engagement with shareholders it was agreed to:

- increase the annual fees payable to the Non-Executive Directors with effect from 1 January 2020 to:
  - £95,000 for the standard annual fee
  - £50,000 for the Senior Independent Director
  - £40,000 for other Committee Chairs, including the Remuneration, Corporate Responsibility and Science Committees
- subject to shareholder approval, introduce a supplemental fee with effect from 1 January 2020, payable to the Workforce Engagement Director (£40,000 for 2020). Authorise the payment to a Non-Executive Director of up to the amount paid to a Committee Chair (£40,000 for 2020) for undertaking additional duties in exceptional or unforeseen circumstances requiring a significant additional time commitment.

No changes are proposed to the fees payable to the Chair of the Audit & Risk Committee or Scientific/Medical Experts. We do not expect to make any other increases to the fees payable to Non-Executive Directors during the new policy period. The increases described above reflect the time commitments of these roles.

Non-Executive Directors will continue to be required to invest at least 25% of their total net fees in GSK shares or ADS.

2019 Total fees (audited)

The audited table below sets out the value of fees and benefits received by the Non-Executive Directors in the form of cash and shares or ADS. Further details of the Non-Executive Directors' share allocation plan are set out on page 137. Non-Executive Directors' fees that are paid in a currency other than Sterling are converted using an average exchange rate that is reviewed from time to time. Benefits comprise the grossed up cash value of travel and subsistence costs incurred in the normal course of business, in relation to attendance at Board and Committee meetings. For overseas-based Directors, this includes travel to meetings in the UK.

Non-Executive Directors' emoluments (000) (audited)	2019				2018			
	Fixed fees				Fixed fees			
	Cash	Shares/ADS	Benefits	Total pay	Cash	Shares/ADS	Benefits	Total pay
Vindi Banga	£92	£31	£4	**£127**	£65	£50	£3	£118
Dr Vivienne Cox	£69	£23	£8	**£100**	£64	£21	£11	£96
Lynn Elsenhans	$24	$196	$75	**$295**	$56	$175	$90	$321
Dr Laurie Glimcher	–	$220	$76	**$296**	–	$231	$73	$304
Dr Jesse Goodman	$199	$66	$66	**$331**	$208	$69	$115	$392
Judy Lewent	$222	$74	$82	**$378**	$230	$77	$130	$437
Urs Rohner	£92	£31	£13	**£136**	£86	£29	£23	£138
Sir Jonathan Symonds	£174	£58	£2	**£234**	–	–	–	–
Former directors:								
Professor Sir Roy Anderson (1)	–	–	–	**–**	£39	£7	£18	£64
Philip Hampton	£352	£117	£12	**£481**	£525	£175	£19	£719
Sir Deryck Maughan (2)	–	–	–	**–**	–	–	£5	£5
Dr Daniel Podolsky (2)	–	–	£2	**£2**	–	–	£7	£7
Hans Wijers (3)	–	–	–	**–**	–	–	£8	£8

(1) Professor Sir Roy Anderson retired from the Board on 3 May 2018.
(2) Dr Daniel Podolsky and Sir Deryck Maughan retired from the Board on 5 May 2016.
(3) Hans Wijers retired from the Board on 7 May 2015.

Annual report on remuneration continued

Directors' interests in shares (audited)

The interests of the Directors of the company in office during 2019 and their persons closely associated (PCA) are shown in the tables below.

	Total directors' interests as at			Total share plan interests as at 31 December 2019 or date of leaving					
				Shares/ADS		Options			
	24 February 2020	31 December 2019 or date of leaving	1 January 2019 or date of appointment	Unvested and not subject to performance[1]	Unvested and subject to performance[2]	Unvested and not subject to performance[1]	Unvested and subject to performance[2]	Vested but not exercised	Exercised in the year
Executive Directors									
Shares									
Emma Walmsley[1,3,4,5,6]	492,034	**441,082**	281,726	–	1,300,605	166,189	36,831	–	188,870
Iain Mackay[4]	35,223	**–**	–	–	233,791	–	–	–	–
Simon Dingemans[1,2,3,4,6,8]	–	**740,484**	540,663	319,005	470,703	122,628	32,712	–	68,708
ADS									
Dr Hal Barron[1,4]	71,096	**40,143**	1,644	38,499	480,051	–	–	–	–

	Total directors' interests as at			Share allocation plan for Non-Executive Directors – Number of shares or ADS					
	24 February 2020	31 December 2019 or date of leaving	1 January 2019 or date of appointment	Dividends reinvested after year end	31 December 2019	Paid out	Dividends reinvested during the year	Allocated & elected	31 December 2018
Non-Executive Directors									
Shares[7]									
Vindi Banga	61,205	**59,748**	56,753	1,058	24,548	–	1,091	1,904	21,553
Dr Vivienne Cox	5,428	**4,939**	3,352	195	4,939	–	150	1,437	3,352
Urs Rohner	10,989	**10,171**	7,885	419	10,171	–	382	1,904	7,885
Sir Jonathan Symonds	32,974	**18,805**	17,971	9	834	–	–	834	–
Philip Hampton[8]	–	**61,643**	51,157	–	–	(54,725)	2,125	8,361	44,239
ADS[7]									
Lynn Elsenhans	39,151	**36,629**	30,587	1,467	35,629	–	1,497	4,545	29,587
Dr Laurie Glimcher	13,075	**11,492**	5,961	410	11,492	–	202	5,329	5,961
Dr Jesse Goodman	6,955	**6,352**	4,538	249	6,352	–	206	1,608	4,538
Judy Lewent	27,865	**26,780**	24,271	691	16,614	–	717	1,792	14,105

1) Unvested options not subject to performance of 166,189 for Emma Walmsley represent bonus deferrals of 165,445 and Share Save options of 744.

Unvested shares not subject to performance of 319,005 for Simon Dingemans represent 100% of the shares awarded at the end of the three-year performance periods for the 2015 and 2016 PSP grants, together with subsequent reinvested dividends. These shares are subject to a two-year holding period ending in February 2020 (2015 PSP grant) and February 2021 (2016 PSP grant). Unvested options not subject to performance of 122,628 for Mr Dingemans represent bonus deferrals of 122,172 and Share Save options of 456. The Share Save options lapsed in May 2019 when he left GSK.

Unvested ADS not subject to performance of 38,499 for Dr Hal Barron represent bonus deferrals.

2) Unvested shares subject to performance of 470,703 for Simon Dingemans represent PSP awards granted in 2017 and 2018 which lapsed in May 2019 when he left GSK. Unvested options subject to performance of 32,712 represent DABP matching awards granted in 2017 which lapsed in May 2019 when he left GSK.

3) Total Directors' interests includes shares purchased through the GlaxoSmithKline Share Reward Plan. During 2019, Emma Walmsley and Simon Dingemans were awarded 93 and 41 shares respectively under the plan. The total number of shares held within the plan are as follows:

Share Reward Plan (Shares)	24 February 2020	31 December 2019	1 January 2019
Emma Walmsley	1,806	**1,760**	1,496
Simon Dingemans	–	**–**	1,943

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

4) Total directors' interests includes options over shares or ADS resulting from the deferral of bonus (and the subsequent reinvestment of dividends) under the DABP. The totals shown in the table below include bonus deferrals, but exclude any unvested matching awards which are subject to ongoing performance criteria. The last matching award was granted in 2017. The amounts represent the gross share and ADS balances prior to the sale of any shares or ADS to satisfy tax liabilities.

Deferred Annual Bonus Plan (Bonus deferrals)		24 February 2020	31 December 2019 or date of leaving	1 January 2019
Emma Walmsley	Shares	182,147	**165,445**	128,604
Iain Mackay	Shares	35,223	**–**	–
Dr Hal Barron	ADS	69,452	**38,499**	–
Simon Dingemans	Shares	–	**122,172**	117,782

Directors' interests in shares (audited) continued

5) Total directors' interests at 24 February 2020 includes shares or ADS which vested in February 2020 due to performance being met under the DABP and PSP 2017 awards, less those sold to satisfy tax liabilities on the vested amounts.

6) The following table sets out details of options under the Share Option Plan (SOP) and nil-cost options under the DABP exercised during 2019 by the Executive Directors.

Type of award	Date of grant	Number of shares under option	Date of exercise	Grant price	Market price at exercise	Gain on exercise (000)
Emma Walmsley						
SOP	22.07.10	137,040	31.10.19	£12.04	£17.76	£784
DABP – deferral	11.02.16	32,596	18.02.19	–	£15.76	£514
DABP – matching	11.02.16	19,234	18.02.19	–	£15.76	£303
						£1,601
Simon Dingemans						
DABP – deferral	11.02.16	43,044	18.02.19	–	£15.72	£677
DABP – matching	11.02.16	25,398	18.02.19	–	£15.72	£399
						£1,076

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

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

For the matching element of the DABP, the remuneration of the Executive Director is recorded in the year that the performance period ends and represents the number of vested shares multiplied by the share price at vesting. The gain recorded on exercise of the nil-cost option comprises the total of this remuneration and the gain or loss resulting from the movement in the share price between vesting and exercise. The last matching award was granted in 2017.

For Emma Walmsley:

- The total gain of £783,869 following the exercise of 137,040 options granted under the SOP comprises remuneration of £671,496 in respect of 2013 (the share options were granted on 22 July 2010 and vested on 22 July 2013 with a vesting price of £16.94) and an investment gain of £112,373.
- The gain of £513,713 recorded following the exercise of the 32,596 nil-cost options relating to the deferral of bonus earned in respect of 2015 comprises remuneration of £374,400 recorded in 2015 as Annual bonus and a net gain of £139,313 relating to the reinvestment of dividends prior to vesting and movements in the share price between grant and dividend reinvestment dates and the exercise date.
- The gain of £303,128 recorded following the exercise of the 19,234 nil-cost options relating to the DABP matching award comprises remuneration of £301,204 recorded in 2018 in relation to the DABP and an investment gain of £1,924 relating to the movement in the share price between the vesting and exercise dates.

For Simon Dingemans:

- The gain of £676,652 recorded following the exercise of the 43,044 nil-cost options relating to the deferral of bonus earned in respect of 2015 comprises remuneration of £494,425 recorded in 2015 as Annual bonus and a net gain of £182,227 relating to the reinvestment of dividends prior to vesting and movements in the share price between grant and dividend reinvestment dates and the exercise date.
- The gain of £399,257 recorded following the exercise of the 25,398 nil-cost options relating to the DABP matching award comprises remuneration of £397,733 recorded in 2018 in relation to the DABP and an investment gain of £1,524 relating to the movement in the share price between the vesting and exercise dates.

7) For Non-Executive Directors, total interests include shares or ADS received as part or all of their fees under the Non-Executive Directors' Share Allocation Plan. Dividends received on shares or ADS under the plan during 2019 and January 2020 were converted into shares or ADS as at 5 February 2020.

8) Simon Dingemans retired from the Board on 8 May 2019. Sir Philip Hampton retired from the Board on 31 August 2019.

Annual report on remuneration continued

Directors and Senior Management

Further information is provided on compensation and interests of Directors and Senior Management as a group (the group). For this purpose, the group is defined as the Non-Executive and Executive Directors, other members of the CET and the Company Secretary. For the financial year 2019, the following table sets out aggregate remuneration for the group for the periods during which they served in that capacity.

Remuneration for 2019	£
Total compensation paid	28,423,288
Aggregate increase in accrued pension benefits (net of inflation)	115,693
Aggregate payments to defined contribution schemes	1,196,714

During 2019, members of the group were awarded shares and ADS under the company's various LTI plans, as set out in the table below. To align the interests of Senior Management with those of shareholders, Executive Directors and CET members are required to build and maintain significant holdings of shares in GSK over time. CET members are required to hold shares to an equivalent multiple of two times their base salary, and must continue to satisfy these share ownership requirements for a minimum of 12 months after leaving GSK.

	Awards		Dividend reinvestment awards	
Awarded during 2019	Shares	ADS	Shares	ADS
Deferred Annual Bonus Plan (matching awards)	–	–	7,457	443
Performance Share Plan	1,404,927	468,854	208,176	45,874
Deferred Investment Awards[1,2]	20,100	–	5,964	89
Share Value Plan[2]	19,400	–	–	–

At 24 February 2020, the group and their PCAs had the following interests in shares and ADS of the company. Interests awarded under the various LTI plans are described in Note 44 to the financial statements, 'Employee share schemes' on page 244.

Interests at 24 February 2020	Shares	ADS
Owned	1,426,701	181,616
Unexercised options	7,203	–
Deferred Annual Bonus Plan	431,934	122,793
Performance Share Plan	4,775,844	1,482,055
Deferred Investment Awards[1,2]	132,129	6,320
Share Value Plan[2]	57,900	–

(1) Notional shares and ADS.
(2) Executive Directors are not eligible to receive Deferred Investment Awards or participate in the Share Value Plan. The Deferred Investment Award granted to Emma Walmsley which vested during 2019 was granted prior to her becoming an Executive Director.

2020 Remuneration policy summary

Remuneration policy review

Our current Remuneration policy (policy) was approved by our shareholders at our Annual General Meeting on 4 May 2017 receiving a 95.2% vote in favour. As required under the Remuneration regulations, shareholders are being asked to approve a new policy at our Annual General Meeting on 6 May 2020, which it is intended will apply for the next three years.

During 2019, the Committee considered the policy. The decision-making process that the Committee followed for its determination, review and implementation of the proposed new policy is set out in the Committee Chair's statement on pages 116 and 117.

The Committee's review of the policy sought to ensure that it continues to:

- Be aligned with the company's business priorities, culture shift, wider workforce pay policies and emerging best practice;
- Create shareholder value; and
- Drive the success of the company for the benefit of patients, customers and other key stakeholders.

In addition, changes to the policy have been made to ensure its implementation will support the delivery of business strategy whilst delivering a clear, understandable and appropriately competitive package to attract, retain and motivate executive talent.

The Committee developed the new policy for Executive and Non-Executive Directors in the context of its oversight of wider workforce pay, however, it did not consult with employees on the new policy. It consulted with our largest shareholders in respect of the proposed changes and took shareholders' feedback into account when finalising the new policy.

The table below provides an overview of the main changes that are proposed in respect of the new policy. The full policy that shareholders are asked to approve is set out on pages 141 to 150.

Remuneration element	Proposed changes to policy	Rationale for the change
Pension	– Any new Executive Director will receive a pension aligned to the broader workforce. Contribution levels for the current UK Executive Directors will be similarly aligned from January 2023.	**Alignment with shareholders:** Alignment with the 2018 Code and emerging market practice.
Extension to post cessation share ownership requirements	– 50% of SOR for Executive Directors to be held for the second year post cessation of role.	**Alignment with shareholders:** Alignment with the 2018 Code and emerging market practice.
LTI Quantum	– A reduction in the maximum award level permitted (to 600%) and an increase in the award level to be applied in the case of the CEO (to 575%).	**Pay for performance:** We received feedback from some shareholders that the maximum award level permitted under the policy should be reduced from the previous 650%. The increase in the target award to the CEO reflects strong performance in the role by Emma Walmsley since her appointment in April 2017.
Malus and Clawback	– The definition of a triggering event is expanded to include material misstatement of results and serious reputational damage.	**Alignment with market practice:** It has become more common for FTSE 100 companies to apply a broader definition of a triggering event.
Loss of office payment policy	– The 20 years' service condition for 'termination by mutual agreement' has been removed.	**Simplification and flexibility:** To simplify the policy and to allow greater flexibility for the Board to manage succession proactively.
Non-Executive Directors' fees	– Introduction of a fee (£40,000 for 2020) for the designated Workforce Engagement Director with effect from 1 January 2020. – Authority is also sought for a Non-Executive Director (other than the Chairman) to be remunerated up to the amount paid to Committee Chairs (£40,000 for 2020) for undertaking additional duties in exceptional or unforeseen circumstances requiring a significant additional time commitment. – Non-Executive Directors will continue to be required to invest at least 25% of their total net fees in shares or ADS of the company.	**Compensation for additional duties:** To reflect the work involved in carrying out this new role which is equivalent to that of a Committee Chair. To appropriately remunerate Non-Executive Directors for their work. **Simplification and alignment with shareholders:** To allow the direct reinvestment of fees into shares or ADS.

Remuneration policy report

Future policy table

Subject to shareholder approval at the company's Annual General Meeting on 6 May 2020, the Remuneration policy for each remuneration element will be as outlined in the table below.

Salary

No change

Purpose and link to strategy

To provide a core reward for the role.

Set at a level appropriate to secure and retain high calibre individuals needed to deliver the Group's strategic priorities.

Operation

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

Salary increases typically take effect in the first quarter of each year.

Salaries are normally paid in the currency of the Executive Director's home country.

Opportunity

There is no formal maximum limit and, ordinarily, salary increases will be broadly in line with the average increases for the wider GSK workforce.

However, increases may be higher to reflect a change in the scope of the individual's role, responsibilities or experience. Salary adjustments may also reflect wider market conditions in the geography in which the individual operates.

Details of current salary levels are set out in the Annual report on remuneration.

Performance measures

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

Benefits

No change

Purpose and link to strategy

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

Operation

Executive Directors are eligible to receive benefits in line with the policy for other employees which may vary by location. These include, but are not limited to, car allowances, healthcare, life assurance/death in service (where not provided as part of the individual's pension arrangements), personal financial advice and contractual post-retirement benefits. In line with the policy for other employees, Executive Directors may be eligible to receive overseas relocation allowances and international transfer-related benefits when required. Executive Directors in the UK are also eligible to participate in all-employee share schemes (e.g. Share Save and Share Reward Plan), under which they are subject to the same terms as all other employees.

In order to recognise the high business travel requirements of the role, Executive Directors are also entitled to car travel and exceptionally may be accompanied by their spouse/partner on business trips. Other benefits include expenses incurred in the ordinary course of business, which are deemed to be taxable benefits on the individual.

Where an Executive Director is based outside the UK, but is required to travel to the UK to fulfil the responsibilities of their role and to attend Board Meetings, they may be subject to tax on their business travel expenses to and from the UK and on the provision of any accommodation in the UK. Although in reality it represents a business expense, the tax treatment requires that their travel and accommodation expenses are then included as benefits. Because of the business context, the tax liabilities will be covered by the company on a grossed-up basis.

Benefit provision is tailored to reflect market practice in the geography in which the Executive Director is based and different policies may apply if current or future Executive Directors are based in a different country.

Opportunity

There is no formal maximum limit as benefits costs can fluctuate depending on changes in provider cost and individual circumstances.

Details of current benefits and costs are set out in the Annual report on remuneration.

Performance measure

None

Future policy table continued

Pension

Change

Purpose and link to strategy

Pension arrangements provide a competitive level of retirement income.

Operation

Pension arrangements are structured in accordance with the plans operated in the country in which the individual is likely to retire. Where the individual chooses not to become a member of the pension plan, cash in lieu of the relevant pension contribution is paid instead. Executive Directors in the UK are entitled either to join the defined contribution pension plan or to receive a cash payment in lieu of pension contribution.

Where an individual is a member of a GSK legacy defined benefit plan, a defined contribution plan or an alternative pension plan arrangement and is subsequently appointed to the Board, he or she may remain a member of that plan.

Opportunity

The policy for all current Executive Directors is:

UK:

- 20% of base salary contribution to defined contribution plan and further 5% in matched contributions subject to any relevant cap and in line with implementation principles for other members of the plan; and
- 20% of base salary as a cash payment in lieu of pension contribution for the portion above the relevant cap;

or

- 20% of base salary as a cash payment in lieu of pension contribution.

From 1 January 2023, any current UK Executive Directors who are still in role will have their pension arrangements aligned to new Executive Directors' arrangements as follows.

Any new Executive Directors in the UK will receive from date of appointment:

- 7% of base salary contribution to defined contribution plan and further 3% in matched contributions subject to any relevant cap and in line with implementation principles for other members of the plan; and
- 7% of base salary as a cash payment in lieu of pension contribution for the portion above the relevant cap;

or

- 7% of base salary as a cash payment in lieu of pension contribution.

US[1]:

- Cash Balance and Supplemental Cash Balance pension plans, providing annual contributions of 38% of base salary, split between the two plans as appropriate.
- GSK 401(k) plan and the Executive Supplemental Savings Plan (ESSP) with core contributions of 2% of salary and bonus[2] and matched contributions of 4% of salary and bonus[2].

Any new Executive Directors in the US will receive:

- Cash Balance and Supplemental Cash Balance pension plans, providing annual contributions of 5% of base salary and bonus, split between the two plans as appropriate.
- GSK 401(k) plan and the ESSP with core contributions of 2% of salary and bonus[2] and matched contributions of 4% of salary and bonus[2].

Global:

- Eligible for appropriate equivalent arrangement not in excess of the US/UK arrangements.

Performance measures

None.

(1) In the event of any change to the plans operated in the US, a similar value would be provided under any successor arrangements introduced within the market.
(2) Less bonus deferred under the DABP.

Annual bonus

No change

Purpose and link to strategy

To incentivise and recognise execution of the business strategy on an annual basis.

Rewards the achievement of stretching annual financial and strategic business targets and delivery of personal objectives.

Operation

Financial, operational and business targets are set at the start of the year by the Committee and bonus levels are determined by the Committee based on performance against those targets.

Individual objectives are set at the start of the year by the Committee and performance against those objectives is assessed by the Committee.

Executive Directors are required to defer 50% of any bonus earned into shares, or ADS as appropriate, for three years. Deferred bonus shares are eligible for dividend equivalents up to the date of vesting.

The Committee may apply judgement in making appropriate adjustments to bonus outcomes to ensure they reflect underlying business performance. Clawback and/or malus provisions apply as described on page 144.

Opportunity

The maximum bonus opportunity for Executive Directors is 200% of salary. For threshold performance, the bonus pay-out on the financial measure will be nil. For target performance, the bonus payout will be 50% of the maximum opportunity.

Performance measures

Based on a combination of financial targets and individual/strategic performance objectives, with the majority of the bonus assessed against the financial measures. The weighting between different measures will be determined each year according to business priorities. Further details, including the measures to be used in the financial year, are provided in the Annual report on remuneration.

Remuneration policy report continued

Future policy table continued

Selection of annual bonus measures

The annual bonus is designed to drive the achievement of GSK's annual financial and strategic business targets and the delivery of personal objectives.

The annual bonus financial targets are set by reference to internal budget and external consensus targets.

The majority of the annual bonus opportunity is based on a formal review of performance against stretching financial targets with the remainder of the bonus subject to a balanced scorecard of strategic and individual targets which are aligned to the company's key objectives for that financial year.

Performance Share Plan (PSP)

Change

Purpose and link to strategy

To incentivise and recognise delivery of the longer term business priorities, financial growth and increases in shareholder value compared to other pharmaceutical companies.

In addition, to provide alignment with shareholder interests, a retention element, to encourage long-term shareholding and discourage excessive risk taking.

Operation

Conditional awards are made annually with vesting dependent on the achievement of performance conditions over three years and are subject to an additional two-year holding period. PSP targets are set by reference to internal budget and external consensus targets.

Awards are eligible for dividend equivalents up to the date of vesting and release.

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

Clawback and/or malus provisions apply as described on page 144.

Opportunity

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

	% of salary
CEO	600
CFO	400
Other Executive Directors	500

Performance measures

Based on a combination of financial, share price related and strategic performance conditions which are aligned to the company's strategic plan. For all measures*, 25% of awards will vest at threshold performance. Further details, including the performance targets attached to the PSP in respect of each year, and the weightings of the targets for the 2020 PSP awards are provided in the Annual report on remuneration.

* We announced in the 2018 Annual Report, that we were reducing the threshold vesting level for our TSR measure to 25%, in order to align it with our other performance measures.

Selection of long-term incentive measures

The Committee selects performance measures which focus Executive Directors' long-term remuneration on the delivery of GSK's key strategic priorities over the longer term. In addition to setting robust targets, the Committee has implemented a number of safeguards to ensure the targets are met in a sustainable way and performance reflects genuine achievement against targets and therefore represents the delivery of value for shareholders.

For each performance measure, the impact of any acquisition or divestment will be quantified and adjusted for after the event.

Any major adjustment in the calculation of performance measures will be disclosed to shareholders on vesting. The Audit & Risk Committee chair and other members, who are also members of the Remuneration Committee, provide input on the Audit & Risk Committee's review of the Group's performance and oversight of any risk factors relevant to remuneration decisions.

Details of the rationale behind the performance measures selected and how they are calculated are set out in the Annual report on remuneration.

Share Ownership Requirements

Change

To align the interests of Executive Directors with those of shareholders, they are required to build and maintain significant holdings of shares in GSK over time. The requirements for each Executive Director are as follows:

	% salary
CEO	650
Other Executive Directors	300

As a minimum, Executive Directors are required to maintain 100% of their share ownership requirements to the end of the first year following retirement from the company and 50% to the end of the second year.

Future policy table continued

Clawback and malus

Expansion of definition of triggering event

In the event of a 'triggering event' (i.e. significant misconduct by way of violation of regulation, law, a significant GSK policy, such as the Code of Conduct, or a material misstatement of results, or serious reputational damage), the company will have the ability to claw back up to three years' annual and deferred bonuses as well as vested and unvested LTIs. In addition, in respect of PSP awards made from 2020, if a participant is subject to an investigation, then the vesting of their awards may be delayed until the outcome of that investigation.

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

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

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

Approach to recruitment remuneration

No change

The Committee determines the remuneration package of new Executive Directors on a case-by-case basis depending on the role, the market from which they will operate and their experience. Total remuneration levels will be set by reference to a relevant pay comparator group and, where appropriate, will allow for future development in the role.

It is expected that new Executive Directors will participate in short and long-term incentive plans on the same basis as existing directors. However, in exceptional circumstances, the Committee reserves the flexibility to set the incentive limit for a new Executive Director at up to an additional 50% of the existing limits.

The Committee retains this flexibility in recognition of the high levels of variable pay in GSK's global pharmaceutical competitors. However, the Committee will only use this flexibility when it is considered to be in the best interests of the company and its investors.

Pension arrangements for any external recruit as an Executive Director will be as set out in the Remuneration policy table on page 142.

Other benefits will be provided in line with the policy for existing Executive Directors.

Where required to meet business needs, relocation support will be provided in line with company policy.

For any internal appointments, entitlements under existing remuneration elements will continue, including pension entitlements and any outstanding awards. However, where not already the case, internal appointments will be required to move to Executive Director contractual terms, including termination provisions.

The Committee is mindful of the sensitivity relating to recruitment packages and, in particular, the 'buying out' of rights relating to previous employment. It will therefore seek to minimise such arrangements. However, in certain circumstances, to enable the recruitment of exceptional talent, the Committee may determine that such arrangements are in the best interests of the company and its shareholders. Such arrangements will, where possible, be on a like-for-like basis with the forfeited remuneration terms. Arrangements will therefore vary depending on the plans and arrangements put in place by the previous employer and may be in the form of cash or shares and may or may not be subject to performance conditions. Explanations will be provided where payments are made as compensation for previous remuneration forfeited.

The remuneration arrangements for any newly appointed Executive Director will be disclosed as soon as practicable after the appointment.

Remuneration policy report continued

Future policy table continued

Loss of office payment policy

Change

The company does not have a policy of fixed term contracts. Generally, contracts for new appointments will expire in line with the applicable policy on retirement age, which since 2009 has been 65.

Contracts for existing Executive Directors will expire on the dates shown on page 128.

Notice period on termination by the employing company or the Executive Director is 12 calendar months.

The ability to impose a 12-month non-compete period (and a non-solicitation restriction) on an Executive Director is considered important by the company to have the ability to protect the Group's intellectual property and staff. In light of this, the Committee believes that it would not be appropriate to provide for mitigation in the contracts.

Termination of employment

In the event that an Executive Director's employment with the company terminates, the following policies and payments will apply.

Element of Remuneration	Loss of office payment policy
Termination payment	**Termination by notice:** 12 months' annual salary payable on termination by the company (pro-rated where part of the notice period is worked). No termination payment is made in respect of any part of a notice period that extends beyond the contract expiry date. A bonus element is not normally included in the termination payment. However, the terms of the contracts seek to balance commercial imperatives and best practice. **Redundancy:** As above, for termination by notice. In the UK, only statutory redundancy pay will apply. In the US, general severance policy does not apply. **Retirement, death and ill-health, injury or disability:** No termination payment.
LTI awards	PSP awards are governed by the plan rules as approved by shareholders. The following provisions will normally apply: **Termination by notice:** Unvested awards will lapse. **Redundancy, retirement, death, ill-health, injury, disability or any other reason:** Generally, awards will continue to vest over the original timescales subject to performance and pro-rated for time. In the event of a change of control, PSP awards will vest, taking into account performance to date and normally taking into account the proportion of the performance period that has elapsed. Alternatively, the awards may be exchanged for new awards.
Annual bonus	**Termination by notice by individual:** If an individual serves notice and the termination date falls before 31 December, the bonus is forfeited. **Termination by notice by the company, redundancy, retirement, death, ill-health, injury or disability:** If the termination date falls during the financial year, eligible for pro-rated on-target bonus (if employed on 31 December, bonus payable based on actual results).
Mandatorily deferred bonus under the DABP	DABP deferred bonus awards in respect of mandatorily deferred bonus amounts are governed by the plan rules as approved by shareholders. The following provisions will normally apply: **Termination for gross misconduct:** Generally, unvested awards will lapse **Any other reason:** Generally, awards will vest in full on the original vesting date. In the event of a change of control, awards will vest or may be exchanged for new awards.
Benefits	Generally, benefits will continue to apply until the termination date. The Committee may make payments in connection with an existing legal obligation or in respect of any claim related to the cessation of employment. This may include fees for outplacement assistance, legal and/or professional advice. **Termination by notice by the company and retirement (US executives):** In line with the policy applicable to US senior executives, they may become eligible, at a future date, to receive continuing medical and dental insurance after termination/retirement.

Termination by mutual agreement

In certain circumstances, it can be in the best interests of the company for the Board to manage proactively succession planning and the development of the senior talent pipeline. In such circumstances, the Board may therefore agree that an Executive's departure will be by mutual agreement. In order for this to apply, the Committee will need to be satisfied that the Executive has demonstrated performance in line with expectations and where required they should have contributed to an orderly succession. In the case of an Executive Director, they would then be treated as a 'good leaver' for the purposes of GSK's long-term incentive plans. If the termination date falls during the financial year, they would be eligible for a pro-rated on-target bonus and if they are employed on 31 December, the bonus payable would be based on actual results.

Loss of office payment policy continued

The Committee does not anticipate the exercise of discretion provided by the PSP and DABP plan rules in respect of termination payments in a manner which would benefit an Executive Director. However, there may be unforeseen circumstances where this is in the best interests of the company and its shareholders. Where it is necessary to exercise discretion, explanations will be provided.

Where an Executive Director leaves the company, the Committee will carry out an assessment of the individual's performance and conduct over the time in role. If it is determined that the individual's performance or conduct was contrary to the legitimate expectations of the company, the Committee reserves the right to apply appropriate mechanisms such as clawback or reduction or lapsing of outstanding incentive awards (malus), to ensure that any termination payments are in the best interests of the company and its shareholders (see page 144).

Differences between remuneration policy for Executive Directors and other employees

When setting remuneration levels for the Executive Directors, the Committee considers the prevailing market conditions, the competitive environment (through comparison with the remuneration of executives at companies of similar size, complexity and international reach) and the positioning and relativities of pay and employment conditions across the broader GSK workforce.

In particular, the Committee considers the range of base salary rises for the workforces of those parts of GSK where the Executive Directors are employed. This is considered to be the most relevant comparison as these populations reflect most closely the economic environments encountered by the individuals. The same principles apply to the Remuneration policy for Executive Directors and other employees although the remuneration offered to Executive Directors under this policy has a stronger emphasis on performance-related pay than that offered to other employees of the Group.

– Salary and benefits (including pension) are tailored to the local market.

– The annual bonus plan applies to the wider employee population and is based on business performance.

– A combination of performance-related and restricted share plans apply to the wider employee population.

– All-employee share plans are available to employees in the UK, including the HM Revenue & Customs approved UK Share Save and Share Reward Plans.

While employees are not formally consulted in respect of the Remuneration policy, Urs Rohner, the Committee Chair, meets with senior HR representatives from across the business to review employee feedback. Dr Vivienne Cox, an Independent Non-Executive Director, engages with employees on various topics, including remuneration, in her role as Workforce Engagement Director.

In the wider organisation, we have aligned our performance and reward systems with our Innovation, Performance and Trust priorities and our Values and Expectations. Our performance system evaluates employees on both 'what' they need to do and 'how' they do it. Also, for our most senior people we disincentivise unethical working practices using a clawback mechanism that allows us to recover performance-related pay.

Remuneration policy report continued

Scenarios for future total remuneration

The charts opposite provide illustrations of the future total remuneration for each of the Executive Directors in respect of the remuneration opportunity granted to each of them in 2020 under the proposed new 2020 policy. A range of potential outcomes is provided for each Executive Director and the underlying assumptions are set out below.

All scenarios:

– 2020 base salary has been used.

– 2019 benefits figures have been used, i.e. based on actual amounts received in 2019, and for Hal Barron the 2019 pension figures.

– Pension for Emma Walmsley and Iain Mackay are based upon their 2020 salaries.

– The amounts shown under value of PSP awards are based upon the relevant multiples for 2020, including the proposed uplift to Emma Walmsley (575% of salary). They do not include amounts in respect of dividends reinvested and do not factor in changes in share price over the vesting period (except as described below).

Fixed:

– Excludes Pay for performance, i.e. no Annual bonus would be paid and PSP awards would not vest.

Expected:

– Includes Fixed pay.

– For the Annual bonus, it is assumed that target performance is achieved.

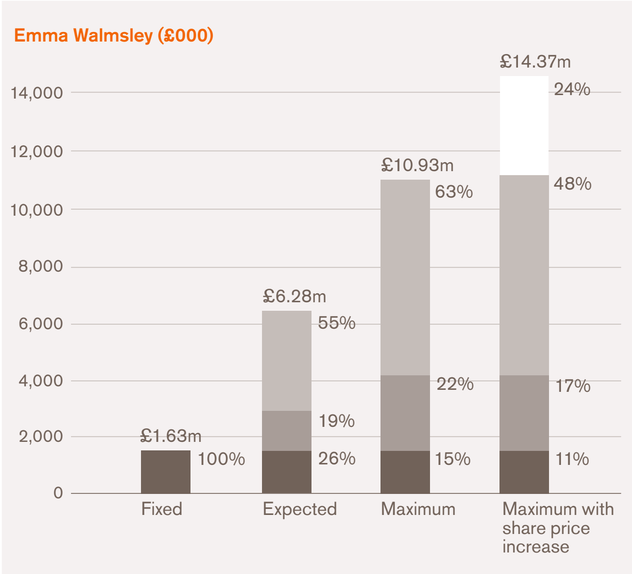
– For PSP awards, amounts reflect 50% vesting levels.

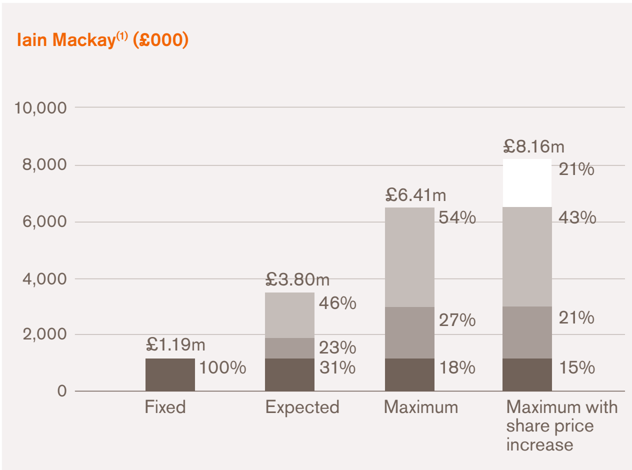
Maximum:

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

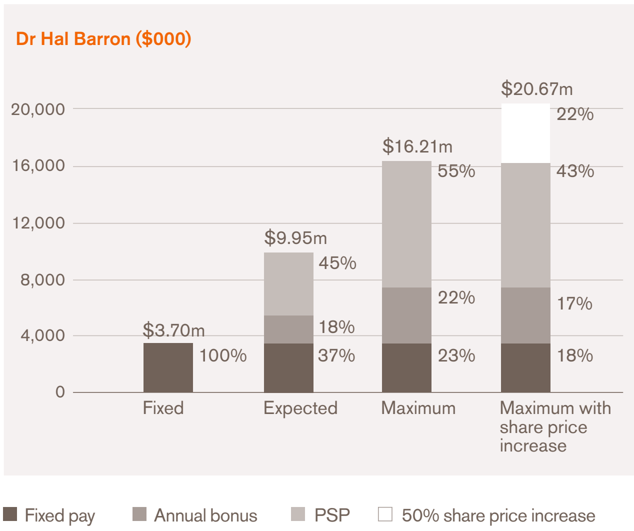
Maximum with 50% share price increase:

– All elements are the same as Maximum but assuming a 50% increase in share price.





(1) Appointed with effect from 14 January 2019.



Non-Executive Director remuneration policy 2020

Non-Executive Directors' fees — Change

Element	Purpose and link to strategy	Operation
Chairman's fees	To provide an inclusive flat rate fee that is competitive with those paid by other companies of equivalent size and complexity subject to the limits contained in GSK's Articles of Association.	There is no formal maximum. However, fees are reviewed annually and set by reference to a review of the Chairman's performance and independently sourced market data. The Committee is responsible for evaluating and making recommendations to the Board on the fees payable to the Chairman. The Chairman does not participate in discussions in respect of his fees. Fees are paid in cash. The Chairman is required to invest at least 25% of his total net fees in shares or ADS of the company.
Basic fees	As above	There is no formal maximum. As with the Chairman, fees are reviewed annually and set by reference to independently sourced data. The Chairman and CEO are responsible for evaluating and making recommendations to the Board on the fees payable to the company's Non-Executive Directors. Fees are paid in cash. Directors are required to invest at least 25% of their total net fees in shares or ADS of the company. The shares or ADS are delivered or released following retirement from the Board.
Supplemental fees	To compensate Non-Executive Directors (other than the Chairman) for taking on additional Board responsibilities or undertaking intercontinental travel.	Additional fees for the Senior Independent Director, Committee Chairs, Science and Medical Experts, the Workforce Engagement Director role and intercontinental travel. The company has the authority to pay an additional fee, up to the equivalent of the Committee Chair supplement (£40,000 with effect from 1 January 2020) to a Non-Executive Director, should the company require significant additional time commitment in exceptional or unforseen circumstances.
Benefits	To facilitate execution of responsibilities and duties required by the role.	Travel and subsistence costs for Non-Executive Directors are incurred in the normal course of business in relation to meetings on Board and Committee matters and other GSK-hosted events. For overseas-based Non-Executive Directors, this includes travel to meetings in the UK. In the event it is necessary for business purposes, whilst not normal practice, Non-Executive Directors may be accompanied by their spouse or partner to these meetings or events. The costs associated with the above are all met by the company and, in some instances, they are deemed to be taxable and therefore treated as benefits for the Non-Executive Director.

Approach to recruitment remuneration — No change

The following policy and principles apply to the roles of Chairman and Non-Executive Director.

Chairman

Fees will be set at a level that is competitive with those paid by other companies of equivalent size and complexity. Fees will be paid partly in shares.

Non-Executive Directors

Fee levels for new Non-Executive Directors will be set on the same basis as for existing Non-Executive Directors of the company. Subject to local laws and regulations, fees will be paid partly in shares.

In the event of a Non-Executive Director with a different role and responsibilities being appointed, fee levels will be benchmarked and set by reference to comparable roles in companies of equivalent size and complexity.

Loss of office — No change

The Chairman and other Non-Executive Directors are not entitled to receive any payments in respect of fees for loss of office when they retire or step down from the Board.

Operation and scope of Remuneration policy

The Remuneration policy (Policy) is set out on pages 141 to 150 of the 2019 Annual Report and it is intended that the Policy for GSK's Executive and Non-Executive Directors will operate for a period of three years from the date of approval at the company's Annual General Meeting on 6 May 2020.

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

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

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

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

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

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

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

Statement of consideration of shareholder views

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

Basis of preparation

The Annual report on remuneration has been prepared in accordance with the Companies Act 2006 and The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the Regulations). In accordance with the Regulations, the following parts of the Annual report on remuneration are subject to audit: total remuneration figures for Executive Directors including further details for each element of remuneration (salary, benefits, pension, annual bonus and long-term incentive awards); Non-Executive Directors' fees and emoluments received in the year; Directors' interests in shares, including interests in GSK share plans; payments to past Directors; payments for loss of office; and share ownership requirements and holdings, for which the opinion thereon is expressed on page 162. The remaining sections of the Annual report on remuneration are not subject to audit nor are the pages referred to from within the audited sections.

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

Urs Rohner
Remuneration Committee Chairman

3 March 2020